

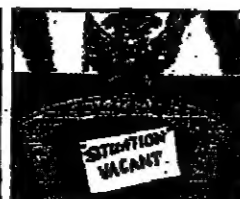
FINANCIAL TIMES

World Business Newspaper <http://www.ft.com>

WEDNESDAY NOVEMBER 4 1998



Cor Boonstra of Phillips
'Don't declare victory
before you create weapons'
FT Interview, Page 14



Russia
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Media galvanise
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HypoVereinsbank
Bosses fall out over
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FT-IT Monthly Review

Because of today's publication of the UK Pre-Budget report, the FT Review of Information Technology will now appear tomorrow



WORLD NEWS

Aznar authorises official talks with Eta allies

Spanish prime minister José María Aznar yesterday authorised talks between the government and allies of the Basque guerrilla group Eta. The separatists declared a ceasefire six weeks ago after 30 years' violence. Page 2

Guilty ex-wife of murder plot
An Italian court found Patricia Reggiani Gucci, ex-wife of murdered fashion magnate Maurizio Gucci, guilty of plotting to murder him in 1995. She was sentenced to 29 years in jail. Page 3

Prophet extradition request
Spanish judge Baltasar Garçon, who ordered the arrest of Chile's Augusto Pinochet formally asked the Madrid government to seek the ex-dictator's extradition from Britain. Page 2

Rebels attack on eve of talks
Colombia's leftwing guerrillas have attacked the national police only days before peace talks with the government are due to start. Reports suggest up to 70 policemen and 10 civilians died and another 45 police were kidnapped when the Revolutionary Armed Forces of Colombia attacked a town near the Brazilian border. Page 2

Army 'fomented Indonesia unrest'
Members of Indonesia's military provoked last May's riots in which more than 1,000 people died, an independent commission found. The inquiry called for a government probe into two top officers, including ex-president Suharto's son-in-law. Page 6

Hong Kong and EU in customs deal
The European Union and Hong Kong agreed to crack down on drug trafficking, piracy and other offences. Page 4

Nigerian ex-ruler to stand
Joseph Obasanjo, a former Nigerian ruler, is to seek nomination to contest February's presidential elections. Gen Obasanjo is the only Nigerian military head of state to have ceded power to elected civilians. Page 5

China detains fraud suspects
Several people are being held in China over a \$36m foreign exchange fraud. Two Guangdong Xinhu Travel Development Company officials allegedly made false import declarations to buy foreign currency illegally. Page 6

Wreckage reveals another body
Swedish police found the remains of another victim of last week's fire at a Gothenburg disco. The discovery raised the death toll to 63.

Paris baits out pig farmers
The French government has had to find FF150m (\$27.2m) of extra funds for pig farmers to head off countryside protests over a collapse in pork prices. Page 3

HK soccer players in court
Five Hong Kong soccer players appeared in court on charges related to match-fixing, including the rigging of a World Cup qualifier.

BUSINESS NEWS

Surge in eurobond issues points to revival of demand

Large-scale eurobonds were issued by US and European companies in the strongest sign yet that the European investor base is regaining an appetite for risk. Page 17; Bonds, Page 24

RUB Nabisco shares have risen
by more than 20 per cent amid speculation that the US tobacco and food group is about to sell or spin off R.J. Reynolds International, its overseas tobacco business. Page 17

SEB, financial flagship of Sweden's Wallenberg business empire, reported a third-quarter loss of SKr1.37bn (\$178m) after taking heavy provisions for possible lending losses in Russia. Page 20

Kvaerner shares fell 17 per cent after the troubled Anglo-Norwegian engineering and ship-building conglomerate warned of a "significant weakening" in third-quarter results. Page 17

Credit Suisse, one of the world's leading private banks, may withdraw from private banking operations in Japan and is reviewing its activities elsewhere in Asia. Page 21

Société Générale de Surveillance, the world's biggest inspection and testing company, is to cut staff at its Geneva headquarters in a bid to rebuild profitability. Page 20

Danone Karam, New York fashion house, warned that its 1998 profits might fall below expectations because of the downturn in demand from Asia. Page 18

Mellon Bank of the US and ABN Amro Bank of the Netherlands announced a global alliance to provide custody services. Page 18

Cathay Pacific, Hong Kong-based airline, completed an outline proposal for taking a controlling stake in the troubled Philippine Airlines. Page 21

Bangkok plans to contract out more than \$1bn worth of essential city services to private companies. Page 16

Seangyang, South Korean conglomerate, is to sell its main cement and oil refining businesses to help it pay off debt. Page 21

UEM, Malaysian toll road operator forced last year to bail out its troubled parent Renong, is to defer interest payments on loans totalling M\$2.92bn (\$768m). Page 17

Ving may sell its Kiskadee & Co logistics subsidiary. The move would mark a refocusing for the Munich-based power-to-telecommunications conglomerate. Page 20

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 23

WORLD MARKETS

STOCK MARKET INDEXES			
New York Composite	8882.59	(-23.17)	
Dow Jones Ind Av	1704.31	(-16.00)	
NASDAQ Composite	2324.04	(+14.00)	
Europe and Far East	4750.00	(-24.00)	
FTSE 100	5005.9	(-21.0)	
US Lend Lease Index	5.375%		
Foreign Trade	4.481%		
Long Bond	5.200%		
Yield	5.200%		
OTHER RATES			
UK 3-mo interest	7.75%		
UK 10 yr	121.27	(131.40)	
France 10 yr	134.08	(134.13)	
Germany 10 yr	104.82	(104.88)	
Japan 10 yr	104.82	(104.84)	
NORTH SEA OIL (Nov)	211.01	(12.20)	
Print Date			

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Spain and Portugal cut interest rates

Reductions bring euro zone convergence closer

By David White in Madrid and Tim Burt in Stockholm

The pace of interest rate convergence in the future European single currency accelerated yesterday when Spain and Portugal announced cuts in interest rates. Sweden which will not join economic and monetary union on January 1, also cut its rates. Denmark, also staying out of the single currency, is expected to follow suit tomorrow.

The cuts follow a percentage point reduction in Italian interest rates last week. Of the euro zone countries, only Ireland, with a short-term rate of 5.75 per cent, is

much adrift from the expected central convergence rate of 3.3 per cent. Spain's 0.25 percentage point cut in its official benchmark rate - the second by the Bank of Spain in a month - brought the rate down to 3.50 per cent, just 0.20 points above the German level. The Bank of Portugal cut its key repurchase rate by a quarter of a percentage point to 3.75 per cent.

Spain's previous half-point cut, on October 6, opened a final convergence phase that will end when the European Central Bank takes over the running of monetary policy on January 1.

Analysts in Madrid said the decision to speed up the process of interest rate alignment might enable the German Bundesbank - whose council is due to meet on Thursday - to make a symbolic rate cut before the end of the year.

The Bank of Spain's decision came amid improved prospects for control of inflation, confirmed yesterday by figures for factory-gate prices showing a 0.3 per cent drop in September and a 1.6 per cent fall over the last 12 months.

Henrik Lundholm, Madrid-based economist at Bank of America, said the interest-rate cut was "warranted from an inflation viewpoint, but not from an economic viewpoint".

Sweden's Riksbank cut its repo rate from 4.10 per cent to 3.85 per cent, as widely expected by the market. The central bank justified the move by saying inflation would fall below its 2 per cent target over the next 24 months.

Bank officials added the weakening international economic outlook had helped reduce inflationary pressures by reducing capacity utilisation in Swedish industry.

In Stockholm, some analysts predicted further interest rate reductions in the near future. But others suggested the bank might delay further reductions until publication of its next quarterly inflation report in early December.

Interest rate cuts in Sweden have also raised expectations in Norway that the central bank there might ease monetary policy following seven increases in interest rates this year.

Denmark's central bank is expected to announce a cut of 0.15 percentage points to 4.5 per cent tomorrow.

Capital Markets, Page 24
Currencies, Page 25

ECB chief rejects political influence on monetary policy

By Wolfgang Mißbach in Frankfurt and Neil Buckley in Brussels

Wim Duisenberg, president of the European Central Bank, last night vowed to defend its independence and to resist interference from political leaders who have been calling for lower interest rates.

While refusing to forecast future rates, Mr Duisenberg gave the strongest signal yet that European interest rates would converge to the Franco-German level of 3.5 per cent by the end of the year.

And he gave an upbeat assessment of recent economic trends, in a strong signal that the ECB is not too alarmed about the economic outlook.

Speaking after a meeting of the ECB's governing council, Mr Duisenberg set out clear limits over the "extent" of policy co-operation between the central banks and governments - a key request by Oskar Lafontaine, the German finance minister.

He poured cold water on Mr Lafontaine's proposal of exchange-rate target zones for the euro, the new single currency, and the dollar. He also warned against attempts to weaken the EU's stability and growth pact, which seeks to limit budget deficits.

In a direct reference to recent comments by political leaders, Mr Duisenberg said it was not uncommon for politicians to offer their opinion on monetary policy, but added: "It would be very abnormal for the suggestions to be listened to." His comments came a day after Gerhard Schröder, the German chancellor, said it should become normal for politicians and central bankers to have a public discussion of monetary policy.

Mr Duisenberg argued that governments had the means to reduce Europe's chronically high unemployment through structural reforms. "I appeal to all political functionaries to recognise that monetary policy cannot solve the structural problems," he said. He warned governments not to let up in their efforts to consolidate fiscal policy.

Mr Duisenberg said the ECB governing council gave the highest priority to interest-rate convergence at this point. He welcomed yesterday's decision by Spain and Portugal to cut rates as part of the process, adding that the timing of the announcement, to coincide with the council meeting, was no accident.

The European Commission, meanwhile, defended the independence of the ECB, warning that this was "crucial... to the credibility of monetary policy" in the eurozone.

A spokesman for Yves-Thibault de Silguy, monetary affairs commissioner, said the Commission felt the independence of the ECB from political interference was a "very clear issue". He added: "There is no question of any instructions being given to the central bank with regard to its monetary policy, nor is it up to the central banks to accept such instructions whether they be from a minister, the government or institutions."

downgraded to tropical storm, but rather than passing through it continues to sit over the region, leaving growers unable to harvest or ship produce.

Honduras, which last year earned more than \$500m from coffee exports, expected to produce 2.3m 60kg bags in this growing season. The country has 63,000 growers, many producing just a few dozen bags.

In Guatemala, William Stirrud, president of the National Coffee Association, said 1998/99 exports could fall from 3.5m to 3m bags and warned of severe short-term supply bottlenecks as bridges have been washed away between coffee areas and the country's main port. "We probably will not be able to export for the next 15 days," said Mr Stirrud.

The loss of so much arabica coffee prompted traders to cover their positions by buying on New York's Coffee Sugar and Cocoa Exchange, pushing the benchmark December contract to its highest for almost six months.

New York's surge had a knock-on effect on robusta coffee bean futures in London, and the nearby November contract closed at \$1.610 yesterday, after jumping \$100 to \$1.580 a tonne on Monday.

Milch claims 7,000 lives, Page 7
Commodities, Page 26



Jeb Bush, Republican candidate in the contest for the governorship of Florida, speaks to a supporter of opponent Buddy McKay after casting his vote in Miami yesterday. For results, see <http://www.ft.com>

UK expects shallow downturn

By our UK staff

The UK government expects the country's economic downturn next year to be shallow and short-lived, with a quickening of growth the following year.

Gordon Brown, chancellor of the exchequer, said yesterday he expected the economy to grow at only 1.5 per cent in the next fiscal year to March 31, 2000, because of the slowdown throughout the world.

He had previously forecast growth of about 3 per cent but predicted yesterday that the pace of growth would quicken again in 2000 to 2.5-2.75 per cent.

Mr Brown was presenting a report to parliament setting the stage for next March's Budget.

"Because in the last 18 months inflation has been brought down to the target of 2.5 per cent and because Britain has set in place a long-term monetary framework with the independence of the Bank of England, it is better placed than in the past to face these global difficulties," he said.

Mr Brown also argued that the lower level of forecast growth remained consistent with stable inflation, sending a signal to the Bank of England that interest rates could continue falling. The central bank's monetary policy committee is expected to agree a quarter point cut in the bank's short term benchmark interest rate to 7 per cent tomorrow.

British financial markets reacted calmly to the statement.

The 10-year benchmark gilt (government bond) yielded 4.975 per cent at the close, down from 5.1 per cent on Monday. The FTSE 100 index closed down 21.6 points at 5,503.9. Sterling closed little changed just above DM2.75 and at \$1.66.

Mr Brown said the government would run a budget surplus this year of £1.5bn, a marked improvement on the £1bn deficit he forecast in March.

He said an additional £40bn would be invested in modernising education and health over the next three years and promised consultation on a range of initiatives to boost UK productivity.

Details, Page 11
Barry Riley, Page 17

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WORLD NEWS

EUROPE

Aznar agrees indirect contacts with Eta

By David White in Madrid

Jose Maria Aznar, the Spanish prime minister, said yesterday he had authorised officials to hold contacts with people close to Eta, the illegal Basque separatist organisation, to try to secure a lasting end to political violence.

Government officials emphasised that the talks would be exploratory. The aim was to see if Eta, which began an indefinite ceasefire more than six weeks ago, was ready to take the necessary preliminary steps to begin a peace process.

The centre-right administration in Madrid has insisted that Eta should give proof of its sincerity in laying down its arms, but has avoided saying what this might involve.

In the meantime, it has come under pressure to

make a conciliatory gesture in response to Eta's ceasefire initiative. Last month, it indicated willingness to reconsider its policy towards jailed Eta members by agreeing to transfer four prisoners to jails in the Basque region, but it has made it clear that it aims to maintain a step-by-step strategy.

Senior officials do not rule out eventually holding direct contacts with Eta itself. But they say any such talks would focus on issues such as the rehabilitation of prisoners or the situation of exiled Eta members. They rule out any kind of political negotiation with the organisation.

The last official talks between government representatives and Eta leaders took place in Algeria almost 10 years ago, but failed to achieve a peace deal.

Mr Aznar was asked yesterday whether he had authorised contacts with the Basque National Liberation Movement (MLNV), which embraces a range of radical organisations including Eta. He replied simply "Yes", but declined further details.

Josep Piqué, the cabinet spokesman, emphasised the need for discretion and said the government would not say when, where or with whom the contacts would be held. Nonetheless, Mr Aznar's public confirmation of the plan brought sharp criticism from opposition parties. The Socialist party complained it had not been informed and said it was "irresponsible" for the government to act without a political consensus.

The government is seeking signs that Eta is prepared to abandon its armed struggle permanently. In its ceasefire declaration, made in the



Posters for Euzko Herriaren Indiak, Eta's political arm, on display during the regional elections

run-up to elections in the Basque region last month, the organisation reserved the right to maintain weapons supplies and defend itself.

However, officials view the

election results, which gave a near-record score of almost 18 per cent of the vote to Eta's political allies, Euzko Herriaren Indiak, as strengthening the hand of the Eta leaders who decided

on the ceasefire. They say there is no sign of a dissident movement within the organisation, which is smaller and weaker than its Irish counterpart, the IRA.

EU looks at new defence dimension

By Alexander Nicos in Vienna

Europe today takes a tentative step towards a more unified defence policy with an unprecedented meeting of European Union defence ministers in Vienna.

The gathering, an initiative of Austria as current holder of the EU presidency, is informal and can take no decisions.

However, it coincides with Britain's recent move to start a debate on how Europe should best respond to crises threatening its vital interests such as the violence in the Serbian province of Kosovo.

George Robertson, UK defence secretary, will pose the same questions about Europe's capacity to react as did Tony Blair, the prime minister, during a European summit last month.

UK officials stressed Britain had no blueprint for a reformed European security structure. However, Kosovo had shown up weaknesses in Europe's ability to take a common stance and then to act on it. Britain wants EU partners to consider a more streamlined institutional structure and to ensure that military capabilities are adequate for possible intervention in a crisis.

"Would Europe on its own have been able to intimidate President Milosevic?" Mr Robertson asked yesterday. The Amsterdam treaty signed last year contained

provisions to strengthen a common EU foreign and security policy, including the ability to undertake a range of tasks including humanitarian and rescue missions, peacekeeping and crisis management.

For military involvement in such missions, the EU would have to call on the Western European Union (WEU). Europe's little-used security organisation. The WEU, in turn, would call on Nato for military assets. The British concern is that this complex sequence might not work when it was needed.

France, which has proposed folding the WEU into the EU, is likely to be an active participant in today's debate, which will focus on methods of crisis management. Germany has also favoured merging the WEU with the EU, but the position of the new Bonn government is not yet clear.

The Austrian initiative has pleased Nato, which feels Europe's efforts to define security policies have been stagnating. Washington will expect a clear position on a European security and defence identity within the alliance before next April's Nato summit.

However, as all three organisations - EU, WEU and Nato - all have differing memberships within Europe, there are likely to be awkward issues to confront if the present architecture is to be simplified.

Spanish judge moves on Pinochet

By David White in Madrid

Baltasar Garçon, the Spanish judge trying to bring Augusto Pinochet to trial, yesterday lodged a formal application with the Madrid authorities for the former Chilean dictator's extradition from the UK.

His move was timed just before a House of Lords appeal hearing, starting in London today, on the general's immunity from or liability to extradition claims.

The High Court in London last week declared Gen Pinochet immune on grounds he was head of state at the time of the crimes in question but said he should stay in the UK pending appeal.

The Spanish government confirmed yesterday it would process the extradition request without delay. However, a formal extradition demand requires approval by the Madrid cabinet, which is not due to meet until Friday, after the law lords' hearing.

The case submitted by the investigating judge, running to almost 400 pages, backs up accusations of genocide, terrorism and torture during Gen Pinochet's presidency from 1973 to 1980. It accuses him of responsibility for an international criminal organisation, in co-operation with other military and civilian authorities in Chile and other Latin American countries, which undertook a "systematic plan of kidnapping and torture, leading to the disappearance of at least 3,178 people."

In his arguments, Mr Garçon said the principle of "sovereign immunity" as applied by the UK High Court did not exist in the Spanish legal system and was not supported by international law.

His initiative to pursue a genocide case against Gen Pinochet received backing last Friday from Spain's national court. However, state prosecutors filed formal appeals yesterday against the warrants which Mr Garçon issued for Gen Pinochet's arrest.

Meanwhile, French prosecutors sent a formal request to the UK, via Interpol, for Gen Pinochet's arrest pending an extradition case.

Moldovan currency declines sharply

By Alan Seattie in London

A panicked rush out of the Moldovan currency, the leu, led to widespread alarm yesterday as the public struggled to buy dollars and businesses in Chisinau, the capital, shut their doors.

The cancellation for the second day running of the daily currency auction in the former Soviet republic led the Moldovan central bank to withdraw from the official interbank currency exchange, where it has been

losing around \$2m a day propping up the leu.

The announcement shocked the country's banks, which have seen mass speculation as individuals joined businesses in swapping leu for dollars as the currency slumped.

Banks pulled out of the domestic debt market and started speculating in foreign exchange some weeks ago, said one observer who recently visited the country.

"The attacks on the leu

intensified as dealers sought to drive the leu down."

The speculation reached its height yesterday as a dearth of leu buyers led to the second cancellation of the daily currency auction.

The rules of the exchange, which until now has set the official rate for the leu, state that the currency can move by no more than 10 per cent in a day.

But the only offer made for the leu on Monday was at a rate of 10 to the dollar, a drop of more than a third

from the previous official value of 6.4, and eventually the auction was annulled.

A repeat cancellation yesterday led to the atmosphere of uncertainty and alarm.

"Speculative attacks on the currency by banks were exacerbated by domestic residents trying to buy dollars and companies who had urgent dollar transactions, they needed to complete," an economist from the European Bank for Reconstruction and Development (EBRD) said yesterday.

"Given its close trading links with Russia, the currency had to go eventually," said Kitty Ussher, a former eastern Europe analyst with the Economist Intelligence Unit. "But it is such a pity - in many ways Moldova was the currency success story of the former Soviet Union."

Ms Ussher thought that the news might jeopardise the planned privatisation of Moldtelecom, the country's telecommunications company.

On the banks of the River Ob the Russian economy shows its two faces

Arkady Ostrovsky visits the Siberian oil towns of Surgut and Nefteyugansk and finds radically different moods

Two oil towns face each other across the river Ob, which divides east from west Siberia. They look similar - grey and depressing monuments to Soviet industry built on the swamps of Taiga forests - but as harsh winter and harsher economic times tighten their grips, the mood in each is radically different.

In Surgut, on the east bank, a Siberian oilman dressed in Soviet-style grey suit and tinted glasses, dubbed the "general" by his employees, has built up the oil company that takes its name from the town and is considered the best managed in Russia. Surgutneftegas, a debt-free and analysts believe it should be proof against the storm of economic uncertainty that broke across Russia this summer.

Across the river in Nefteyugansk, people rail against a sick Muscovite banking tycoon dressed in a Marlboro Classics shirt who bought their company, Yuganskneftegas, and milked it for profit, impoverishing the town in the process.

Queuing recently outside a bank for their wages, which they had not received in full for three months, Nefteyugansk workers complained bitterly about Mikhail Khodorkovsky, one of the new class of bankers, the so-called "oligarchs". Some counted themselves lucky to

receive Rbs200 (\$12,500) - or 10 per cent of the wages due three months earlier.

Alevtina Kosareva, 43, says she has been forced to exchange her sewing machine for vegetables. "He [Khodorkovsky] keeps us on a drip-feed so we do not starve and continue to work for him. Khodorkovsky simply laughs at us. He does not even think we are people..."

In the past, masters fed their slaves, but the new masters do not bother.

In the past two years Yukos - the loss-making oil company that owns 51 per cent of voting shares in Yuganskneftegas - has reduced wages by 30 per cent, cut its drilling programme, and laid off about 15,000 people, reducing the workforce to 39,000. It has transferred the old Soviet social responsibilities to the municipal budget, in line with advice from western consultants.

But industry analysts fear Yukos's short-term approach is jeopardising the long-term interests of the oil giant.

"Khodorkovsky has killed the goose which was laying golden eggs," says Ivan Mazlov, a senior analyst at the broker Centrefinest.

Disgruntled investors from Yuganskneftegas by using a mechanism known as transfer-pricing. Yuganskneftegas was obliged to sell all its oil at a fixed rate

to Yukos, which would then resell it at market prices and use the revenues as it saw fit.

The growing economic crisis has seen the pressure on Yuganskneftegas increase. Recently the company - the second largest in Russia in terms of oil production - had its telephones cut off because it had failed to pay its bills.

With oil prices falling, and Yukos reluctant to pay taxes to the Nefteyugansk authorities, tension in the town has escalated. Roads have been neglected, nursery schools have closed and hospitals handle only emergencies.

Four months ago, Vladimir Petukhov, the mayor and a vocal critic of the oil company, was shot dead. His funeral turned into a protest demonstration against Yukos, one witness said.

Residents of Nefteyugansk long to cross the river. According to Vladimir Nozhin, chief engineer of Yuganskneftegas, the company has lost 700 top specialists to Surgutneftegas following the recent wage cut, but now Surgut needs no more workers. Whereas it is hard to sell a one-bedroom flat in Nefteyugansk for Rbs90,000, the same flat in Surgut would cost Rbs 200,000.

Surgut may not be prosperous by western standards, but its oil company is



one of the few in Russia where workers have benefited from market reforms and display no signs of nostalgia for the Communist era. "Nobody here wants to go back to the Soviet days, to deficits and empty shelves," says Oleg Plaksin, a drilling master at Surgutneftegas.

In Nefteyugansk, that seems to be exactly what is happening.

Imported products which once filled the shops have been replaced by old-fashioned glass jars filled with potato soup and preserved vegetables. "We took them off the shelves four years ago, but now we have nothing else to sell, so we put them back," said Olga, saleswoman at the proudly named Europa Tsentr (Europe Centre). Apart from its name, however, the shop is a spitting image of any Soviet supermarket.

"We have no sugar, no

rice. God knows what we are going to eat in winter. There is no master in this town. We have the same resources as Surgut and look how we live," says Olga.

Zoya Nikolaevna, a pensioner in Nefteyugansk, often goes to Surgut to buy food. "I was in Surgut last week, they have 8 kinds of sausage there. But here the shops are empty - just like in the Soviet days."

Surgut's comparative prosperity is partly due to the president of Surgutneftegas, Vladimir Bogdanov, who until recently was criticised as an old-style Soviet-era manager with xenophobic views. But his hands-on style management has paid off.

Contrary to the advice of some western consultants, Mr Bogdanov continues to pay for schools and accommodation for his staff. In return he gets the loyalty of his workers, who have more

faith in their management than in the central government.

"When you pay your workers and give them something to do they simply do not have time to talk about politics," says Andrei Alekseyev, an energetic 38-year-old manager. "People start waving flags and slogans when they have nothing to do at work."

Not only are workers at Surgutneftegas happier, the company is investing up to \$1bn a year in production and exploration and has among the lowest costs of idle oil wells of any Russian company in the sector.

"We always counted money here and never splashed out on fast cars and lavish offices. We did only what was economically prudent and as a result we are still drilling new wells, while most of our competitors have almost stopped," says Mr Alekseyev.

Surgutneftegas is not an island, however. The company's investment programme could be jeopardised by the collapse of the banking system - it has \$1.5bn locked in various Russian banks crippled by the government's default on its debt. It has also had to cut 1,000 jobs from its total staff of 68,000.

But such is the paradox of recent Russian history that it is Mr Bogdanov, a local "red" director, who has used his Russian know-how to build a profitable enterprise in which the workers are the most effective advocates of capitalist economy.

"Of course we can curse the government and complain about the crisis," says Tatyana Nikolaevna, who works at Surgutneftegas's nursery school, but "I always say to my staff - do not whine that it is dark in the room - turn on the light."

Crisis in Russia could cause second Latvian bank to close

By Stefan Wagstyl in Riga

Latvia, which has already seen one bank close because of the Russian crisis, could soon lose a second, the Baltic state's central bank said yesterday.

Viktoria Bank, a small bank with 2m lats (\$3.48m) in capital, had stopped trading and could close in the next few days if it did not refinance itself successfully, said officials. Kapital Bank has already closed.

Closure of Viktoria Bank, which officials said had still to be decided, would highlight the continuing impact of Russia's financial upheaval on Latvian banking.

The central bank this

week warned that nine of the country's 29 banks may be more seriously hit by the Russian crisis than they have admitted. It said these banks had not valued their assets prudently due to a lack of clarity about Russia's debt repayment.

The nine exclude Parex Bank, the biggest, but include the next four biggest banks in size - Unibanka, Rietumu Banka, Rigas Komercbanka and Baltic Transit Bank. Rigas Komercbanka required central bank support a few weeks ago after it suffered a run on deposits.

Einars Repse, central bank governor, said while the bank would help ease liquidity shortages it would not

support insolvent banks. Banks had until March 1999 to recapitalise if necessary either by securing fresh funds or by mergers, said Mr Repse. The deadline is the last date when banks are obliged to publish balance sheets for the year ending December 1998.

Mr Repse said before that date the central bank would not discuss individual banks' positions any further though it was monitoring the industry. The central bank had previously said the industry's exposure to Russia is 170m lats (\$296m), or some 8 per cent of total assets.

Mr Repse said if mergers were needed the bank would encourage consolidation. "Let them work and merge if

they can. They know the deadline," he said. Bankers in Riga said consolidation was in any case necessary because Latvia had too many small banks, some of which were little more than investment vehicles for their owners.

However, central bank officials emphasised there was no threat to the Latvian banking system. Ilmars Rimsevics, deputy governor, said the combined capital adequacy ratio of Latvian banks was 20 per cent of assets at the end of 1997 compared with a legal minimum for individual banks of 10 per cent and an international norm of eight per cent. This could fall to 12-14 per cent by the end of 1998.

By Robert Graham in Paris

France has been accused of considerable embarrassment by the arrest by Paris judicial authorities of a French officer on suspicion of passing military secrets to the Serbs.

Major Pierre Bunel was detained for allegedly giving the Serbs Nato documents on targets in Yugoslavia and the province of Kosovo.

His arrest comes while France has withdrawn Major Hervé Gourmelon, a liaison officer, from Bosnia after he had compromising contacts with Serbs. On that occasion, US officials alleged that plans to capture Radovan Karadzic, who is wanted on charges of committing war crimes, had been under-

mined by Maj Gourmelon. Maj Bunel was chief of staff to the French general who serves as France's permanent representative on the Nato military committee in Brussels. As such, he would have access to a "wide range" of sensitive documents, according to those familiar with Nato.

Maj Bunel's lawyer said last night that although he had passed documents to the Serbs, he had not given them an exhaustive list.

Although news of the 46-year-old officer's arrest leaked out late on Monday, he is understood to have been first confronted with passing secrets to Serb agents in Brussels by French officials early last week.

Angry French pig farmers win new aid

Industry body launches fresh attack on tax plans

EUPEL COURT... HUMAN RIGHTS

Did to speed proceedings

ITALIAN COURT... PARLIAMENT

Nights of detainees hit

U looks at ew defence imension

Specialised in Europe

The French government has been obliged to find extra funds for the country's hard-pressed pig-farmers to head off a growing wave of countrywide protests over a collapse in pork prices. The emergency aid of FF150m (\$27.2m) followed a meeting of the pig producers' federation and Jean Glavany, who took over the agriculture portfolio two weeks ago. In September the Socialist-led government had already agreed to provide FF100m of aid to pig farmers. Mr Glavany also said he would help co-ordinate a broader EU-wide initiative to tackle falling pork prices, which have more than halved in the past 12 months. From a high of almost FF12 a kilo, French farmers are now getting FF5.17 a kilo. Jacques Lemaitre, head of the producers' federation, described the measures as a "breath of oxygen", but added: "What we want more than this aid are a set of measures to bolster the European market to push prices back up." There are close to 20,000 pig farmers in France, with most of the industry in Brittany. Breton pig-farmers account for half France's annual 2.5m pork production, according to a ministry of agriculture official.

Angry French pig farmers win new aid

By Robert Graham in Paris

The Breton farmers have been in the forefront of an increasingly aggressive series of protests - from occupying local town halls to letting loose pigs in the streets and picketing supermarkets. Demonstrations are planned in four cities on Friday.

French farmers have boosted production considerably since the early 1990s. This has been to meet increased domestic demand after a switch away from red meat as a result of the "mad cow" disease scare, as well as satisfying growing export orders - notably from Russia.

But not only has France found itself competing against cheaper Spanish and Danish produce, but since August, pork exports to Russia, which had been running at 30,000 tons a month, have been halted because of the Russian financial crisis. Paris is expected to push for an EU initiative that permits the export under "special conditions" of up to 150,000 tons of pork to Russia.

Large-scale farmers are also being squeezed by growing pressure from environmentalists which may force them to spend large sums of money on cleaning up the pollution created by intensive pig farming. In Brittany several rivers and local water tables have been adversely affected by untreated pig effluent.

Gucci's ex-wife jailed for plotting murder

By Paul Betts in Milan

The Gucci murder trial that has gripped Italy for the past six months ended yesterday in high drama, when the former wife of Maurizio Gucci, the fashion heir, was found guilty of plotting his murder and given a 29-year prison sentence.

Mr Gucci, grandson of the founder of the Italian leather goods and fashion house, was shot in a gangland-style killing outside his Milan office in 1995.

Patrizia Reggiani Gucci, the 50-year-old divorced wife of the fashion heir, was subsequently arrested along with four others on charges

of plotting the murder.

Mrs Reggiani denied charges of having commissioned the killing, but had admitted she wanted her former husband dead.

The Milan court yesterday also gave a life sentence to Benedetto Ceraulo, a Sicilian, accused of being the hired assassin.

He denied killing Mr Gucci and said after the sentence he was "only a small monkey in a cage", and would appeal.

Orazio Cicala, another Sicilian who acted as Ceraulo's driver, was given a 29-year prison sentence, while Pina Auremma, a Neapolitan fortune teller, and Ivano

Savioni, a hotel porter, were jailed for 25 years and 36 years respectively.

The fortune teller, a friend and "spiritual adviser" of Mr Gucci's former wife, and the hotel porter were accused of enlisting the hired killer for L500m (\$305,000).

The Milan court's prosecutor had sought life sentences for all five defendants for the murder.

Yesterday's verdict represented the climax of the turbulent history of the Gucci family, whose fashion empire has since been sold and turned into a successful public company listed in New York and Amsterdam.

Maurizio Gucci had a stormy career, quarrelling with almost every relative in his attempt to control the group.

He severed all links with the family business in September 1993 when he sold his 50 per cent stake to Investor, the Bahrain-based financial group, for \$170m. Investor subsequently restructured and floated the company.

He married Mrs Reggiani in 1972. They had two children, but were separated in 1984 and later divorced. Mrs Reggiani claimed she had been given "little more than a plate of lentils" in a L7bn divorce settlement.



Patrizia Reggiani, ex-wife of murdered fashion chief Maurizio Gucci, is escorted by police from a Milan court yesterday. Reuters

Greek PM warns he will expel rebel MPs

By Karin Hope in Athens

Greece's Socialist prime minister yesterday confronted growing opposition from within his own party over measures to deal with the rigours of joining the European single currency.

Costas Simitis' government suffered a sharp fall in support in local elections last month.

The election results were

seen as a protest against unemployment and other social problems, including inefficiency and corruption in the police force and the state health system.

But before a parliamentary vote of confidence last night, Mr Simitis warned Socialist deputies they would be expelled from the party if they failed to back him.

With the Socialists holding

158 seats in the 300-member

house, the government looked safe from defeat. Mr Simitis reaffirmed the government's plans for tighter wage and spending policies next year in its bid to qualify for membership of the euro in 2001. Greece's political parties are united in the drive to win entry to the euro-zone. However, the prime minister has failed to persuade members of his own party, the Panhellenic

Socialist Movement, that the government is doing enough to create jobs and protect the pay-as-you-go pension system.

Vassilis Kedikoglou, an independent Socialist deputy, echoed the views of many backbenchers when he accused Mr Simitis of being insensitive to social issues and failing to carry out structural reforms to ensure real economic convergence

with members of the euro-zone.

Greece is becoming increasingly confident of achieving its timetable for joining the single currency. Having entered Europe's exchange rate mechanism in March, the drachma survived the Russian and Asian crises without coming under serious pressure. Market turbulence has pushed up Greece's long-

term interest rates, but the past three weeks have seen a fall of almost 300 basis points. Low international prices for oil and commodities will help cut the annual inflation rate to below 4.5 per cent this month, finance ministry officials said. Next year's budget is expected to include tax cuts on new cars and electricity aimed at speeding the fall of inflation.

NEWS DIGEST

GERMANY

Industry body launches fresh attack on tax plans



The Germany industry association (BDI) yesterday launched a fresh attack on the tax plans of the new Socialist Democratic-led government as the finance ministry prepared to release a first draft tax bill. Ludolf von Wartenberg, BDI chief executive, said the measures being prepared to tighten up on tax reliefs used by business would read like a list taken from a "poison cabinet". Oskar Lafontaine (pictured left), the finance minister, plans a three-stage reform up to 2002, with the first stage taking effect from next year. Cuts in income tax would be financed...

largely through "counter measures" applying to industry. Overall a net tax reduction worth about DM10bn (\$6bn) from 2002 is planned.

The finance ministry described as "unauthorised" lists in German newspapers of up to 72 counter measures which would affect industry. However, its plans are expected to include revised rules on the treatment of depreciation and companies' reserves, as well as the ending of tax breaks enjoyed by the well-off.

Ralph Atkins, Bonn

EUROPEAN COURT OF HUMAN RIGHTS

Bid to speed proceedings

The Council of Europe inaugurated a streamlined European Court of Human Rights in Strasbourg yesterday which it hopes will deal faster with a rapidly increasing number of complaints.

"We're hoping the new system will speed up the procedure quite dramatically," said a Council of Europe spokeswoman. Under the old court system set up in 1950, rulings often took years.

The new court will also be working full time, unlike the old one, which opened one week a month and handled about 100 cases a year, the spokeswoman said. Already this year, 4,781 cases have been registered, the Council of Europe said in a statement.

Under the new system, a human rights commission which examined cases before they went to court will be scrapped so cases come before judges sooner.

The court rules on infringements of the 1950 European Human Rights Convention, which is signed by all 40 nations in the Council of Europe. Citizens from those nations can bring cases to the European Court after they have exhausted legal options in their home countries. The court has 40 judges, one from each of the member countries. AP, Brussels

ITALIAN COURT OVERRULES PARLIAMENT

Rights of defendants hit

Italy's parliament has suffered a serious blow to its sovereignty after the country's constitutional court overruled landmark legislation relating to the justice system that was enacted last year.

In a move that has been attacked by party leaders across the political spectrum, Italy's constitutional court has overruled legislation that protected the rights of defendants in a range of criminal trials relating to Mafia activity and political corruption.

Parliament last year passed legislation that made it impossible for courts to prosecute defendants on the basis of testimony that had been given before the start of trial proceedings. In a move to rebalance trials in favour of the defendants, parliament legislated that testimony from witnesses and defendants needed to be repeated in open court to be valid.

Italy's constitutional court has now overruled this change, amid fears from judges and prosecuting magistrates that the law would undermine investigations into figures such as Silvio Berlusconi, leader of the opposition, Bettino Craxi, former prime minister, and Mafia suspects. James Blitt, Rome

ficer accused crets to Serbs

The former Yugoslav Republic of Macedonia (FYROM) has accused a senior Serbian official of leaking state secrets to the Serbs. The official, who is a member of the Serbian government, is accused of providing the Serbs with information on the FYROM's military and political situation. The FYROM government has demanded that the Serbian government take action against the official and has threatened to take legal action if the Serbian government fails to do so. The Serbian government has denied the allegations and has said that the official is a member of the Serbian government and is therefore not subject to its jurisdiction. The FYROM government has said that it will continue to demand that the Serbian government take action against the official and will continue to threaten legal action if the Serbian government fails to do so.

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WORLD TRADE

China curbs foreign life insurers

By James Harding in Shanghai

Foreign life insurance companies are facing further restrictions over their entry to the Chinese market following Beijing's signal that future operators in China cannot expect majority control of joint ventures.

Life insurers seeking access to China's huge potential market remain unclear about the changing regulations for foreign companies as the Chinese government has not issued formal guidelines.

But officials at the People's Bank of China, the central bank, have told companies seeking a licence to sell life insurance policies that approval will be given

to 50-50 Sino-foreign joint ventures with a domestic insurer.

Hans-Joerg Probst, chief representative of German insurance group Allianz in Beijing, said: "The Chinese are not closing the door. But they are taking a little longer to get their own house in order first. They will not open it much further in the foreseeable future."

China has said the opening of its insurance market is at an experimental stage and, as a result, the terms of new licences have varied widely - one wholly foreign-owned subsidiary sells both life and non-life policies, while most life insurers are not allowed to operate a non-life business and have been

limited to majority stakes in joint ventures with local Chinese companies.

Until now, most international companies have taken at least a 51 per cent share in a joint venture company in order to ensure management control. Foreign insurers have also gone into ventures with Chinese companies that are not insurance companies. The new guidelines, which were first set out to foreign companies in May, are not expected to be retroactive. Insurance companies, such as Allianz which already has a majority shareholding in a life insurance joint venture, should therefore not be affected.

But the companies most

troubled by the narrower terms of entry are the scores of insurance companies with representative offices in China seeking an operating licence. "This is a mass market and China is afraid that it will be taken over by foreigners. This is a protectionist measure," says the head of one European insurance company currently applying for a licence.

"The rule was that foreign insurers could have 51 per cent and that meant foreign insurers could have management control. Now, they are saying it has to be 50-50 and at least one of the partners has to be a domestic insurer. That means we have limited space to play as there are very few domestic insurers

out there. It makes things more restrictive."

Another European company says the situation is infuriatingly opaque. The company's chief representative believes the 50-50 terms for joint ventures have not yet been fixed and hopes the Chinese leadership may still consider allowing foreign majority ownership of life insurance joint ventures.

However, other firms have been dismayed by the signals that it will be even harder to get into the Chinese market, which has anyway opened only a tiny fraction to foreign companies and limited their operations to Shanghai, the testing ground of liberalisation in the insurance market.

Wisdom of Baku pipeline queried

By Robert Carline in London

British Petroleum, one of the biggest foreign investors in Azerbaijan's oil industry, has questioned whether Baku needs to make an early decision on building a politically contentious main oil pipeline to Turkey.

Sir John Browne, BP's chief executive, yesterday said the company "has a very big interest" in any decision President Heydar Aliyev might make regarding an export pipeline. BP and Amoco of the US, which are due to merge by the end of the year, hold a combined 34 per cent stake in the Azerbaijan International Operating Company (AIOC), which would be the main user of the pipeline.

US and Turkish officials have been lobbying strongly for a line from Baku to Ceyhan on the Mediterranean coast, even though oil industry executives say it would be the most expensive way to export crude.

Washington believes such a pipeline would underpin the economic and political independence of the former Soviet republics bordering the Caspian Sea. But US officials have ruled out direct financial support for construction, which could cost up to \$1bn.

Mr Browne said the Ceyhan option only made sense if further exploration in Azeri waters boosted the country's proved reserves by a billion barrels, or if "free money" was offered by governments to build the line.

He said the 300,000 barrel-a-day pipeline under construction between Baku and Supsa on the Black Sea coast of Georgia was "enough" for current Azeri needs.

He also noted that a decision in favour of Ceyhan could reduce Azerbaijan's eventual oil revenues because of higher costs. The AIOC consortium is expected to recommend that the Baku-Supsa line be upgraded to handle additional exports.

NEWS DIGEST

MOTOR INDUSTRY

Europe must change its ways, warns Ford chief

Europe must make big changes to its ways of doing business and cut costs or it will only survive through outright protectionism, according to Sir Alex Trotman, chairman of Ford, the world's second largest motor company.

"The cost of almost every aspect of doing business in Europe, from telephone calls, through air travel and water charges to the social overheads of labour, is way too high," Sir Alex said. "Europe will have no choice but to resort to full-scale protectionism unless all its industries are made much more subject to real competition," he added. Air travel charges, in particular, were "ludicrous".

However, even if substantial cost-saving changes were made to Europe's business infrastructure, competitive pressures and motor industry over-capacity would leave the region with only two big car makers within a decade or two, said Sir Alex, who retired at the end of the year.

While declining to name the two likely survivors, Sir Alex said that in the wake of Daimler-Benz' takeover of Chrysler it was "quite likely" that at least one large European producer could be forced into a merger or be taken over next year, particularly "if collectively the US and Europe manage to talk ourselves into a recession not warranted by the economic fundamentals." John Griffiths, London

BANGKOK TRANSPORT CONTRACT

Hopewell pursues claim

Hopewell Holdings, the Hong Kong-based infrastructure group, said yesterday it would go outside Thailand in its quest for compensation following the cancellation of the Bangkok Elevated Road and Train System (BERTS) contract.

Gordon Wu, chairman of Hopewell, said efforts to resolve the issue with the Thai government had proved fruitless, leaving it no other option but to pursue its claim outside Thailand. The unilateral cancellation of the contract sent a bad signal which others would be watching, he added.

"Multilateral agencies like the IMF and the World Bank enter into contracts to commit large amounts of money to governments. All parties enter into contracts to record legally what they agreed, and to provide a level of commitment that allows them to invest large amounts of money with confidence. Louise Lucas, Hong Kong

JAPANESE TARIFFS

US concern on fish and timber

The US has warned that Japan's refusal to implement voluntary tariff cuts in fish and forest trade could threaten the success of the forthcoming Asia Pacific Economic Co-operation (APEC) summit. Mark Fisher, US deputy trade representative, said the summit would be "viewed as a failure" if Japan refused to participate in those areas.

Mr Fisher said Shoji Nakagawa, Japanese agriculture, forestry and fisheries minister, had told US officials that it would be "very, very difficult" for Japan to follow through on a commitment made last year at the Vancouver APEC summit to liberalise fishery and forest product trade. Washington, however, maintains the view that it would be "inexcusable" if Japan did not follow through the voluntary tariff cuts. Reuters, Washington

EU and HK in piracy accord

By Louise Lucas in Hong Kong

The European Union and Hong Kong yesterday signed a co-operation agreement to crack down on drug trafficking, piracy and other customs offences. It is the territory's first international customs agreement since it reverted to Chinese sovereignty in July last year.

Jacques Santer, European Commission president, signed the agreement during a meeting with Tung Chee-hwa, Hong Kong's chief executive.

"The agreement significantly enhances the status of Hong Kong as a separate customs territory and gives concrete expression to Hong Kong's wide-ranging autonomy in trade and customs matters, as set out in the Basic Law (the territory's post-handover mini constitution)," said Mr Santer, who was in Hong Kong on the last leg of a trip to China.

Mr Santer said the co-operation would help in the fight against fraud and copyright piracy. Videos, compact discs and CD-Roms are widely available within moments of originals arriving; factory crackdowns in Hong Kong have been frustrated by offenders moving operations to nearby Macao or to southern China.

Hong Kong authorities have launched a number of initiatives to beef up enforcement of piracy rules, and in the first nine months of this year swooped on a total HK\$1.4bn (US\$180m) worth of pirated goods. For the whole of last year the value of seizures was HK\$127.38m.

On Monday, Hong Kong customs smashed a syndicate engaged in smuggling pirated video discs from Macao into the territory. Officials made four arrests and seized HK\$10m worth of pirated video discs.

Recording industry estimates say around one-third of Hong Kong's CD manufacturing capacity could be churning out unlicensed goods; in China, the level is sharply higher.

While the crackdowns are helping to reduce this, the economic climate is exerting pressure in the opposite direction. The Asian financial crisis, combined with excessive manufacturing capacity, is seen by the recording industry as likely to force CD manufacturers into illegal production in order to survive.

Philips, Sony head for slower start in CD wars

By Alice Rawsthorn in London and Gordon Grant in Amsterdam

Philips and Sony, two of the world's largest consumer electronics companies, plan to launch their Super Audio-CD new music system in late 1999, several months after the introduction of the rival DVD-Audio format.

Cor Boonstra, Philips' president, said he was convinced the Philips and Sony system would offer "superior sound quality" to DVD-Audio. He said he expected the first players to go on sale "at the end of next year."

Toshiba, Matsushita and the other electronics companies involved with the development of DVD-Audio are equally adamant that they have the higher quality format.

Koji Hase, general manager of DVD for Toshiba, said he expected the technical specifications for DVD-Audio would be agreed early in the new year and the first systems would be sold "in the middle of 1999."

Unless a compromise is reached, DVD-Audio and Super Audio-CD seem set for a repetition of the damaging "format war" between the

rival VHS and Betamax video cassette technologies.

The music industry is anxious to avoid a format war. It has high hopes that either DVD-Audio or Super Audio-CD will become a mass market product, and provide a sorely-needed stimulus to record sales, as the compact disc did in the early 1980s.

Rivals Toshiba and Matsushita expect sales of their system to start several months earlier.

Record companies are concerned consumers will be so confused by the introduction of two similar formats at roughly the same time, that neither will catch on.

Sony and Philips found themselves pitted against the rest of the electronics industry three years ago over the development of DVD-Video, the video version of DVD technology.

Eventually, the two sides agreed to join forces and develop a joint format.

Both the electronics and music sectors hope that a similar agreement can be struck over DVD-Audio. Mr Boonstra said there was "constant communication" between the two factions, but did not speculate on the chances of a settlement.

Mr Boonstra also declined to comment on whether Philips intended to launch an MP3 recorder, the controversial new audio product used to find, store and play music downloaded from the Internet. He said: "MP3 technology is terribly important to us, and we are very strong in the recordable compact disc market, that's all I will say."

The US music industry recently took legal action to stop The Rio, the first mass market MP3 recorder, from going on sale. It lost the case and is now appealing. The Rio is to be sold at mainstream US retailers, including Best Buy, for \$199 and in UK chains such as Dixons and PC World for £165 later this month.

FT interview: Cor Boonstra, Page 14



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Malaysia to tackle stockbrokers' debt

By Sheila McNulty in Kuala Lumpur

Malaysia's Securities Commission yesterday announced a scheme to tackle the debt problems of stockbrokers, under which a government vehicle will take on from banks the non-performing loans of the stockbroking industry.

Danaharta, the asset management company established to restructure the heavily indebted banking system, is to make its initial acquisitions within the next six weeks. It expects these efforts to facilitate industry-wide recapitalisation and consolidation.

"This will, in turn, allow for a refocusing of lending activity to the stockbroking industry in general, while reducing the likelihood of a forced sale of stockbroking companies and their assets," the Securities Commission said. It added that the move was prompted by the "inadequate progress" by brokers in response to its call for voluntary recapitalisation and

consolidation. It did not reveal the amount of loans to be purchased. But analysts point to years of free-wheeling lending for the purchase of shares as one of the problems overwhelming banks. "The domestic broking industry needs an overhaul, just like the banks," said Lai Tak Hoang, research head at SG Securities.

Over the past year, the Securities Commission and the Kuala Lumpur Stock Exchange have attempted to strengthen the stockbroking industry by imposing trade restrictions on close to a dozen houses, directing mergers and acquisitions and implementing a reimbursement scheme for broker clients. The Securities Commission said brokers under trading restrictions had been given one month to submit proposals to regularise their financial positions. Those negotiating to restructure or dispose of stockbroking companies have been given deadlines to submit their proposals.

Analysts said foreigners who once considered buying

into Malaysia's brokerage sector had been put off by the capital controls and stock market restrictions imposed in September. The rule preventing foreigners from repatriating profits from the sale of stocks until they have held them for a year has drastically reduced foreign interest in the once-thriving stock market.

After watching the key index plunge around 75 per cent with the regional financial crisis, Malaysian investors have only now started returning. The sharp drop in interest rates, combined with capital controls restricting the movement of funds offshore, has convinced them to take their chances on getting higher returns in the market.

The Finance Ministry announced yesterday that the amount needed by Danaharta to remove the non-performing loans from the banking system had been reduced to M\$15bn (US\$3.9bn) from the previous projection of M\$25bn due to an improvement in equity and lower interest rates.

Mahathir fails to muffle strident voice of reformers

Thousands of Malaysians have found the courage to channel protests through press and the internet. Sheila McNulty reports

As the sides opened on protesters calling for the resignation of Malaysia's prime minister, Mahathir Mohamad, last weekend, they sought shelter under copies of the once-shunned "Harakah" newspaper of the country's marginalised opposition.

The symbolism was telling. Amid a torrent of alleged government propaganda in the mainstream media, the newspaper of the PAS Islamic party has become the refuge of the reformist movement to reform Dr Mahathir's administration.

They held it up at rallies demanding justice for Anwar Ibrahim, whose summary dismissal as deputy prime minister, nine-day incommunicado detention and alleged beating in police custody have suddenly made the repression of basic institutions during Dr Mahathir's 17-year rule too flagrant for many to ignore.

"The case has thrown up a lot of questions that relate to fundamental liberties in a democratic society," says Salih Hassan, a political science lecturer. And yet the government-controlled media have done their best to muffle them with coverage of Dr Mahathir's version of events.

Dr Mahathir fired Mr Anwar on September 2 for having "low morals". Mr Anwar is now on trial for 10 counts of corruption and sodomy, which he insists were trumped up in a conspiracy to punish him for gaining enough popularity to challenge Asia's longest-serving leader.

Thousands have taken to the streets in unprecedented protests against Dr Mahathir - a man who, just months ago, they were afraid to criticise publicly. This is a country where university students are barred from involvement in politics and no more than five people can gather without a permit. It is also a place where anyone can be detained without trial - as Mr Anwar originally was - under the draconian Internal Security Act for being deemed a threat to national security.

With headlines such as "Can undergraduates think?" and "Abuse of the Internal Security Act", the Harakah newspaper is rousing a nation used to the "Mahathir says..." headlines that dominate the mainstream media.

Emotional commentary by people confessing they have finally found the courage to break through Malaysia's "culture of fear and silence" and call for Dr Mahathir's resignation has sent its circulation surging from 85,000 before the political crisis to close to 300,000. This is the same as the reported weekend circulation of the country's most influential daily, Utusan Malaysia.

The government has noticed. Zulkifli Sulung, Harakah's editor, says the Home Ministry, which Dr Mahathir heads, called him in to remind him Harakah newspapers are only to be sold to PAS members from news stands clearly marked: "For PAS Members Only".

"They know they cannot compete openly. That's why they resort to these underhanded tactics," says Fan Yew Teng, a social activist and writer.

Even if the authorities suspend Harakah, as they have other newspapers in the past, they cannot keep independent reports from emerging. Mr Anwar's supporters have established over a dozen web sites to tell his side of the story. Some give detailed accounts of police firing chemical-laced water while chasing and beating them for demonstrating. They also make clear why they are putting their case for Mr Anwar on the internet.

"If you are interested in

the views and arguments of those opposed to him, click on the word 'exit' below and start your search," is the opening message at a site called Anwar Online. "Better still, subscribe to these newspapers: The New Straits Times, The Malay Mail, Berita Harian, Utusan Malaysia, The Star and The Sun, and watch the news on Malaysian TV."

The authorities already tried restricting Malaysian activity on the internet. Months ago they detained several people for sending e-mails about rumoured instability in Malaysia. But the flow of potentially destabilising messages on the internet is now too considerable to staunch.

Dr Mahathir's people have counter-attacked with web sites of their own. And they are taking their propaganda directly on to the streets. This past week they strung trees around the capital with signs against protesting. "Do not disturb the peace" and "We're thankful that Malaysia is a fortunate land" read two of the slogans above more than 100 people

chanting for the resignation of Dr Mahathir. A television station dispatched crews with mini cameras to keep them undetected by demonstrators. Some journalists - worried about a backlash - travelled incognito.

The boos with which the mainstream media were met as public opinion first turned against Dr Mahathir descended into violence just over a week ago. Demonstrators pelted the van of the country's most influential news group with stones, breaking its windows and sending the journalists speeding off into the night.

Zaini Hassan, news editor of the Utusan Malaysia, was in that van. But the attack will not make him tone down the pro-government coverage he insists is crucial during these uncertain times. "We want to neutralise the situation," he says. "We don't want to create havoc." But after years of repressing their yearnings for change, that is a position many Malaysians no longer want their media to take.



Protesters display the title of their Reformed movement in a recent Kuala Lumpur demonstration. AP

Pressure grows on Indonesia military

By Sander Thomas in Jakarta

Members of Indonesia's powerful military provoked massive riots across the country last May, an independent fact-finding commission concluded yesterday. It also urged the government to investigate two senior officers, including the son-in-law of former president Suharto.

The conclusions of the team of 18 human rights activists, officials and public figures, which was asked by the government to investigate simultaneous riots in six big cities, added force to a public call for a curb on the military's influence on Indonesian politics.

The team concluded that "instigators, including members of the armed forces" had incited the city's poor to attack and loot shops and houses of the ethnic Chinese minority for two days. More than 1,000 people died in the mayhem, mostly looters who

burned to death in blazing shopping malls.

It said both Lt Gen Prabowo Subianto, the son-in-law of Mr Suharto, and Maj Gen Syafriz Syamsuddin, Jakarta military commander, should be investigated for their role in the riots. So far Mr Prabowo has been investigated and honourably discharged for kidnapping political activists, but the team recommended he be court-martialled for this as well.

The commission chairman, Marzuki Darusman, said that at least 86 women, most members of the ethnic Chinese minority, had been raped and 14 sexually assaulted during the riots. But the team had failed to clarify whether the attacks had been planned or were excesses of the mayhem.

Mr Darusman said the team had not tried to verify allegations that Mr Suharto and Faisal Tanjung, chief commander of the armed

forces at the time, had ordered Mr Prabowo or Mr Syafriz to create the mayhem as an excuse for introduction of emergency rule and a crackdown on student protests.

The team urged the government to crack down on paramilitary gangs. It said Pemuda Pancasila, a racketeering gang closely affiliated with Mr Suharto, had organised riots in Medan and may have played a big role elsewhere as well.

The military's role in the riots has had a dent on public support for its dominant role in politics. The Muslim PPP party has backed public calls for the abolition of the allocation of 75 parliamentary seats to members of the military.

The dominant faction of Golkar, the government party, along with the military and regional factions, is likely to block such proposals, but reduce the number of seats to 65.

By James Harding in Shanghai

China's efforts to tighten controls over foreign exchange have started to delay payments to foreign companies selling goods into the country and disrupt the trade finance business of international banks.

Beijing has introduced a series of stringent measures since September, intended to clamp down on illegal foreign exchange transactions that threaten to undermine confidence in the Chinese currency.

But several foreign financial institutions and importers have begun to report that the tougher restrictions have resulted in delays and non-payment of letters of credit, creating a further obstacle to imports into China as well as fresh cause for concern for bankers.

Foreign bankers in Xiamen, the port city on China's south-east coast, say the local courts have issued injunctions against Chinese banks to stop payment on letters of credit, while the authorities investigate what

Chinese forex curbs delay payments

Arrests over currency purchases

The purchases were made through a foreign trade company in central China between October 1996 and June 1998, it said.

One of the more common types of foreign exchange fraud has involved companies in China using falsified customs documents to gain authorisation to transfer hard currency overseas to pay for the import of goods that it later emerged never existed.

safe payment between trading partners. Under the internationally observed Uniform Commercial Practice, which set out the terms and treatment of letters of credit, the law courts should not generally interfere with LC payments.

A senior official at the Xiamen branch of the People's Bank of China, the central bank, said there had been just a handful of injunctions. "Some Chinese banks have received orders from Chinese courts, asking them to stop paying. Some Chinese companies are suing domestic and overseas companies for cheating them out of their money."

In addition, trade finance is being interrupted or delayed by new demands on banks to get approval from China's foreign exchange authorities before issuing certain types of LCs.

Gavin Bacon, partner at Simmons and Simmons in Shanghai, said: "The need for all these approvals is slowing up the wheels of commerce, which might well persuade China's trading

partners to look elsewhere."

Separately, China's courts have increasingly issued injunctions on letters of credit payments - contrary to international practice - in order to shield Chinese companies unable or unwilling to pay for imported goods that they say fail to meet the conditions of sale, according to one representative of a foreign bank hit by the intervention of the legal authorities. This raises concerns about the health of some of China's trading companies.

In one case spanning Shanghai and Beijing, the courts have issued injunctions this year stopping payments on 30 letters of credit worth in excess of \$70m. The new foreign exchange rules were adding to the existing problem, one foreign banker in Shanghai said, suggesting the delays and disruption of LC payment was sapping confidence in China's respect for standard practices in international commerce. "Letters of credit and trade are one of the most basic issues in finance," he said.

Vietnam's military asserts economic role

By Jonathan Birchall in Hanoi

Vietnam's defence minister has reassessed the military's commitment to playing an important role in the Vietnam's economy and called for the army to set up special "economic defence" zones to promote development in border areas.

General Pham Van Tra's view, published yesterday in the Communist party daily, Nhan Dan, was the latest in a series of public statements by the Vietnamese army defending its economic role. It contrasts sharply with

recent moves by China to reduce the business activities of its armed forces.

General Tra, who is also a politburo member, said that the army's economic activities over the years had boosted national economic growth, created consumer commodities and exports, and in some cases contributing to market-opening. "Taking part in socio-economic building and development, while promoting strategic national defence, is a key political objective of the army," he said.

The Vietnamese official

press has recently stressed efforts by the army to streamline its business activities, with the number of military companies reportedly having been cut to just under 300, a third of the former total, during a restructuring drive in 1995-96.

But while Vietnam often follows China's lead on social and economic policy, there is no sign of efforts to restrict the military's business activities, which military experts believe could provide around \$600m of revenue this year. Last month, the prime minister approved

a plan for a new national conference centre in Hanoi, which will be owned by the Ministry of Defence; the military's telecommunications company, Viettel, has also just been given permission to become the country's fifth internet service provider.

In addition, the Vietnamese military has more than 50 joint-ventures with foreign companies, and frequently provides land for projects with no military content. The Vietnamese navy, for example, is a minority partner in the proposed \$90m Saigon Marriott

Hotel with Japan's Kotobuki Holdings. The Vietnamese air force is also involved in the Saigon Superbowl shopping and entertainment complex, built by Singaporean investors on land adjacent to the city's airport.

The army's role on the borders, and control of its own port facilities, has led to suggestions of military involvement in smuggling and corruption. In another press interview published yesterday, General Tra said the armed forces' activities in border areas were limited to forestry and fishing.

Smart card pilot plan abandoned

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TECHNOLOGY SETBACK FOR TOP US BANKS

Smart card pilot plan abandoned

By John Authers in New York

A group of the largest US banks and card issuers has abandoned ambitious plans to roll out smart cards across the US, in a significant setback for attempts to introduce the technology in the world's largest economy.

The group announced yesterday that the biggest smart card pilot scheme yet attempted in the US was to close at the end of this year, without extending from its initial base in Manhattan's Upper West Side.

All the equipment which had been installed with retailers is to be removed. Citibank and Chase Manhattan, New York's two largest banks, and the MasterCard and Visa bank card associations, had combined on the pilot scheme, which was launched in October last year amid heavy publicity.

But the scheme's participants conceded yesterday that use of the cards by consumers had not come up to expectations, and that merchants had pressed for a simpler operating system.

The banks had hoped to introduce the smart cards - which use embedded micro-processors rather than the traditional magnetic stripe - across the US.

While the scheme was first launched as a six-month "pilot", participants had hoped that it would swiftly be extended.

At MasterCard, employees were banned from using the word "pilot" to describe the scheme. Instead, they were told, it was a "roll-out". MasterCard's hope was that it would then be extended to the rest of New York, and then to other large US cities.

Instead, Upper West Siders have been given until the

end of next month to use up the cash balances on their cards. Then the hardware installed in retailing outlets throughout the area will be removed.

Future smart card projects in the US will probably use a different system.

A central concept being tested by the system was "inter-operability" or the use of both the MasterCard Mondex and the Visa Cash systems using the same mechanical readers on shop counters.

The two systems worked, but they required different procedures from shop assistants, and Visa reported that this proved to be unpopular with merchants.

According to Carol Lockie, who was in charge of running the scheme for Visa, there was an analogy with early acceptance of credit cards. Pressure from merchants ensured that all credit cards could be operated using the same equipment, and following the same procedures.

Another problem was "critical mass". The logos for cards became a common sight in the Upper West Side, but Ms Lockie said merchants were disappointed by usage because many Upper West Siders spend most of the working day outside the area.

Mike Tempore, head of US smart cards for MasterCard, said future pilot schemes would be in areas with a much more tightly defined geography, such as university campuses and government buildings.

They would also add extra functions to basic cash payment, such as operating as library cards or access cards for buildings. "What we've learnt is that you really have to make it relevant to someone's everyday life and define it very clearly," said Mr Tempore.

Gates tapes shed little light on facts

By Richard Wolfe in Washington

As the Microsoft monopoly trial took a scheduled break yesterday, lawyers in the landmark antitrust lawsuit were assessing the impact of the videotaped evidence of Bill Gates, chief executive and founder of the world's largest software company.

In spite of the legal battles over their public airing, the videotapes of Mr Gates' pre-trial testimony appeared to shed little light on the disputed facts. Mr Gates' persistent quibbling over the meaning of his prosecutors' questions - including such words as "sell", "compete" and "relationship" - evaded

the most thorny questions posed by his prosecutors.

Even when confronted by his own e-mails, Mr Gates sidestepped the issue of his own role in shaping Microsoft's strategy towards Netscape Communications, the Internet software rival, and Apple Computer, the personal computer pioneer.

However, government lawyers believe that his evasive performance and "astonishing lack of recall" reinforced an overall impression that Microsoft was failing to give a consistent account of actions towards competitors. For example, Microsoft changed its attack several times against Jim Barksdale, Netscape's chief executive

and the government's first witness. First, it said Netscape had simply imagined the events of a meeting in which Microsoft allegedly sought to carve up the market in Internet software. Then Microsoft claimed Netscape had sought to set up the company, with an eye to winning government support for legal action.

Lawyers from the US Justice Department and 20 states were keen to air Mr Gates' testimony about Apple Computer before the cross-examination of a senior Apple executive began today. Apple accuses Microsoft of abusing its monopoly power to bully the company on two issues.

The most dramatic accusation is that Microsoft forced Apple to agree to an August 1997 deal in which Microsoft invested \$150m in the company in exchange for a series of agreements. According to Apple, Microsoft threatened to cancel development of crucial business software - including word processing and financial spreadsheets - unless Apple agreed to its demands.

Along with a resolution of patent disputes, Apple agreed to break its favourable relationship with Netscape and place Microsoft's products as the preferred Internet software on its computers.

The second bullying

charge revolves around Apple's Internet software, QuickTime, designed to create and play back multimedia content.

Apple claims that Microsoft sabotaged QuickTime by introducing clashes with its best-selling Windows software.

Microsoft's lawyers have tried to convince Judge Thomas Jackson to dismiss the Apple claims as "extraneous" to the lawsuit. However, the Microsoft case is hindered by e-mails from Mr Gates and other Microsoft executives which strongly suggest that the company's dealings with Apple were indeed shaped by the bigger battle with Netscape.

Colombia attack on eve of talks

By Adam Thomson in Bogotá

Colombia's leftwing guerrillas have inflicted their most damaging defeat on the national police, just days before they are due to start peace negotiations with the government.

Unofficial reports suggest there may be as many as 70 policemen and 10 civilians dead, with a further 45 policemen kidnapped by the Revolutionary Armed Forces of Colombia (Farc), following the rebel group's attack on the town of Mitú, close to the border with Brazil.

Yesterday, however, authorities had still not released an official death toll. Teddy Fornbaun, director of the Colombian Red Cross, who travelled to Mitú when the fighting broke out, said there were too many dead for an accurate body count. All communications have been cut since Sunday when an estimated 700 guerrillas descended on the town, according to police.

Yesterday, 130 additional troops were flown into the area to back up an original force of 230 police and soldiers who were sent in on Monday to recover the town.

The bloodiness of the attack and its timing - three days before Farc is due to begin peace talks with President Andres Pastrana's recently elected government - call into question the rebels' desire for peace. Few observers doubt that the order to attack Mitú came from the top of Farc's line of command.

Mr Pastrana, who was forced to cut short a two-day visit to Venezuela, where he was due to meet the main candidates in December's presidential elections, said the latest wave of violence would not jeopardise the talks.

The president has already made a significant concession to Farc by withdrawing soldiers and police from five municipalities in the south of the country.

Friendly nerd shown as combative and edgy

By Louise Kehoe in San Francisco

If Bill Gates cannot be present in person at an important computer industry conference or trade show, he often makes a pre-recorded video presentation.

But the content and style are always very different from the recording shown in a Washington courtroom this week, where Microsoft is on trial facing anti-trust charges.

Mr Gates usually plays the friendly nerd - a technical wizard, a visionary and, of late, an advocate for greatly simplifying the complexities of computing.

But the Bill Gates seen making a deposition before government lawyers this week was edgy, evasive and sometimes combative. He seems wary of being trapped and is defiant in refusing to acknowledge the plain meaning of some of the lawyer's questions.

In a two-hour segment of the deposition, shown on Monday, he appeared irritated by the relentless questioning. He rocked back and forth and fidgeted nervously.

Showing the videotape was an attempt by the gov-



ernment to "sensationalise" the trial, Microsoft charged. Legal consultants hired by the company played down its significance, describing it as the "ordinary deposition of an extraordinary man".

However, government officials said the testimony was vital to understanding Microsoft's intentions: some questions in the deposition related closely to the testimony of the government's next witness - a senior executive of Apple Computer.

Still, the unflattering portrait of Mr Gates painted by the video showed a side of the Microsoft chairman rarely seen in public even if, to those who have spent time with him, the style was no surprise. In interviews, he is often argumentative and combative. He frequently challenges the knowledge and intellectual stamina of interviewers and responds negatively to what he considers "trick questions".

Indeed, in the deposition he is more restrained than

when speaking in a less formal meeting. On the video he appeared to hold back from temptations to tell the government's lawyers they had failed to understand the workings of his company or industry.

He did not allow himself to accuse them of being unreasonable. Neither does he ask them, in typical style, how technical they are - a frequent rhetorical question aimed at interviewers.

Renowned, among computer industry executives for his sharp tongue and temper, Mr Gates - in the segment shown so far - remains controlled and attentive in spite of frequently repeated, detailed questions.

And the government's tactics could backfire. With several more hours of video expected to be shown, the Justice Department runs the risk of making Mr Gates appear to be the victim of its lawyers' interrogations.

There is also the possibility that Microsoft may, after all, call Mr Gates to the witness stand toward the end of the trial, when it presents its rebuttal to the government's charges - an occasion when the friendly nerd may try to charm the judge.



Gates: testimony 'vital to understanding Microsoft's intentions'

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INTERNATIONAL

Former military ruler to stand in Nigerian election

By William Wallis in Lagos

Olusegun Obasanjo, Nigeria's former military ruler, ended months of speculation yesterday when he announced he would seek nomination as a candidate in next February's presidential elections.

The retired general made the announcement at his chicken farm outside the commercial capital Lagos, where he was surrounded by supporters, touting his "unique qualities" to manage the delicate transition from dictatorship to civilian rule.

Gen Obasanjo distinguished himself in 1979 by becoming the only military head of state in Africa's most populous nation and leading oil producer to hand over power to an elected

civilian government.

More recently he became one of the most prominent victims of the latest and most brutal of the country's military regimes, serving three years in prison on charges of plotting a coup. It was the death of the late dictator Sani Abacha in June that paved the way for his release and a new transition to democracy under the Gen Abdulsalam Abubakar who has restored some optimism in a country ruined by corruption and mismanagement.

His decision to bid for the presidency follows his decision last week to join the People's Democratic Party (PDP), the most broadly based party to have emerged recently.

It also follows, he said, weeks of painstaking deliber-

ation in which he was bombarded by conflicting advice by dignitaries across the country on whether to take up the challenge.

Supporters say that as a former soldier, he is well equipped to handle the restructuring of an army that has been in power in all but 10 of Nigeria's 38 years of independence, and thereby stave off the threat of future coups.

At the same time they say he would satisfy the clamour for a power shift from the north of the country which has dominated the military government to the traditionally marginalised south.

His candidature has been endorsed by some heavy-weight political leaders in the Muslim north. Ironically, however, it is among his own ethnic group the Yor-

uba, in the south-western region of the country that he is likely to face the stiffest resistance.

Yoruba advocates of radical change and devolution in Nigeria see Gen Obasanjo as overly influenced by the north in general and the army in particular. They see his candidature as the effective continuation of military rule.

Heckled by journalists addressing these controversies after his address yesterday he said: "You have to be realistic in Nigeria. If you want a Utopia it will not be this side of eternity."

Before he can run for president Gen Obasanjo will have to beat off other aspirants at a PDP party congress next month and in doing so risks splitting the party.



Gen Obasanjo in 1978 before he became Nigeria's only military ruler to hand over to an elected civilian government

NEWS DIGEST

US FEARS FURTHER POSTPONEMENT

Netanyahu again delays vote on Palestinian deal

Benjamin Netanyahu, Israel's prime minister, yesterday again postponed a special cabinet meeting to vote on last month's new interim accord with the Palestinians, amid growing US concern that the date for implementing the deal will be further delayed.

Mr Netanyahu said the cabinet would not convene until the Palestinians put in writing a pledge to arrest 30 suspected killers of Israelis, of whom 10 are serving in the Palestinian police force.

A senior Israeli government official said the Palestinians verbally agreed at the Wye Plantation summit to arrest the suspects as part of a detailed security timetable to combat terrorism. The implementation of that timetable would be spread over three months and coincide with Israel's phased troop withdrawal from 13 per cent of the West Bank.

Earlier this week, the Palestinians presented their timetable to US officials, who deemed it adequate. Washington then passed it to the Israeli government. Mr Netanyahu, however, rejected the Palestinian plan, insisting any timetable include when the 30 suspects would be arrested. Judy Dempsey, Jerusalem

ISRAELI ECONOMY

Foreign investment drops

Israel's economy suffered a double blow yesterday with the release of figures by the Bank of Israel showing a sharp decline in foreign investment and an increase in government debt.

Foreign investment fell 65 per cent during the second and third quarters of this year, totalling only \$730m, compared with \$2.1bn in the corresponding period in 1997.

The Tel Aviv Stock Exchange has been hard hit as well, with financial investment falling from \$1.5bn to \$330m over the same period as foreign investors remain reluctant to return to emerging markets following the Asia and Russian economic crises.

As a percentage of gross domestic product, government debt jumped 3.5 percentage points in real terms over the past nine months, to 107 per cent, or \$143bn (\$98bn). The Bank of Israel blamed the slowdown in the economy and the depreciation of the shekel. Judy Dempsey

CZECH RADIO BROADCASTS

Iran and Iraq lodge protests

Iran and Iraq have protested over the Czech government's decision to allow Radio Free Europe/Radio Liberty, the US Congress-funded radio station, to produce local language programmes from Prague.

Iraq has warned that the broadcasts, which began last week, will hurt trade relations. Iran has recalled its ambassador for consultations and has frozen trade ties.

The Czech government was hesitant to permit the radio programmes and forced RFE/RL - whose headquarters is in Prague - to abandon plans to use a residential house, which it feared could become a terrorist target.

The programmes, which are made in Prague, are broadcast from transmitters outside the Czech Republic. Robert Anderson, Prague

Hopes of preserving a village's religious harmony go wrong

Egyptian police resorted to torture in a murder hunt, inflaming feelings they were meant to soothe, reports Mark Huband

Police commander Abdel Haliz sipped tea from a large mug and denied all the accusations made against his officers. Nobody had been suspended from the ceiling fans. No electric shock torture had been carried out. There had been no beating of children, and nobody had been strung upside down by their ankles from the window frame.

But personal testimonies and a report by the Egyptian Organisation for Human Rights (EOHR) describe how between mid-August and mid-September the police station in this Upper Egyptian farming village of Al Koshah and the nearby police station of Dar al-Salam were the scene of mass arrests, torture, and brutal collective punishment as part of a murder inquiry.

"The police took me, and then they took my sons," said Bactor Abu Al-Aymeen.

"They hung me up by my feet from the window frame."

Sitting in the crowded office of Al-Koshah's Coptic church, Mr Bactor said he was held for 34 days, blindfold, often strung up by his ankles, beaten with fists and sticks. He was tortured with electric shocks to his genitals and ears, and heard his family threatened with rape unless he confessed to murdering two Copts in the village on August 14.

Mr Bactor's 11-year-old son Michael was subjected to the same treatment, and at one point was attached to a ceiling fan which was then switched on until he lost consciousness.

The official explanation for the police reaction to the murders remains vague. The EOHR believes police decided the killing of the two Copts would have damaged

Muslim-Christian relations if

a Moslem had been found guilty. Consequently, officials decided a Copt should be found guilty, the EOHR inquiry concluded. The investigation which followed now appears to have shattered the very relations the authorities were apparently trying to preserve, without even finding those guilty of the murders.

"The police took my 14-year-old daughter to the fields," Mr Bactor said.

"They placed her in front of her brother, and threatened to hang him up like Jesus Christ." His daughter was not the youngest victim of the alleged brutality. The 17-month-old son of another suspect, Gamal Shukrallah, was held up by the crowd in the church office and a series of bruises across his backside revealed.

"That was from electric shocks. And there are others even younger who had the same treatment," said Mores Shukrallah, the boy's father. He himself had been detained for 19 days after being accused of the mur-

ders. During his detention in the Dar al-Salam police station, he says, he was hung upside down, beaten and subjected to electric shock torture, while his wife and son were forced to look on.

During the month-long investigation, the police are estimated by church officials, villagers and the EOHR to have detained 1,300 people of all ages, many of whom were tortured.

The impact of the mass arrest and brutal treatment of villagers in an area which, the residents say, has never been affected by such trauma, has been to shatter whatever trust there may have been between civilians and the police.

"There was never any problem between the Copts and the Moslems here," said Amba Wissah, Bishop of Sohag. "This action was not anti-Christian. It was anti-humanity. The church has gone to the government to expose the problems that the people are facing. But there's no response." During

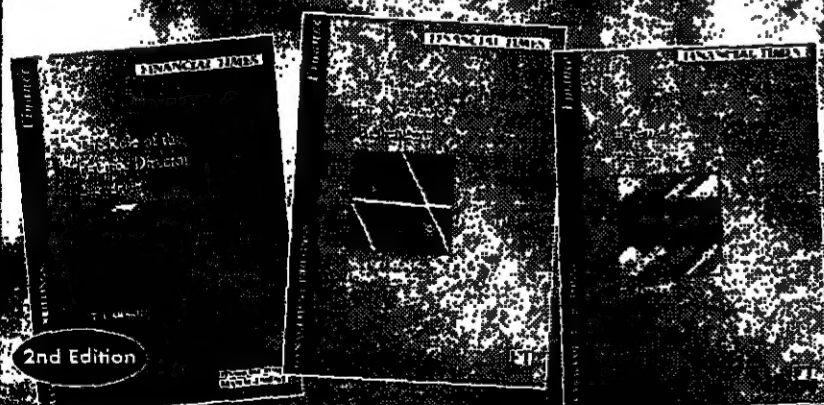
the period of the investigation Bishop Wissah sent letters to senior government officials alerting them to the police practices, but he received no replies.

"I shall try to do something, to bring the police to court. But I feel very sad. The human rights organisations come and do their reports, and then nothing happens," he said. A list of written questions on the case submitted to the Interior Ministry has so far been met with silence.

"The government tried to ignore the problem during the events," said Mohammed el-Ghamri, EOHR executive director. "Torture inside police stations has become a tradition in Egypt. The police officers see that it's easy to get information from people by torturing them. In el-Koshah the problem came about because of the torture. Murders in that area are quite normal."

Human rights lawyers are now awaiting a report on police interrogation methods, which is being prepared

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CONFEDERATION OF BRITISH INDUSTRY CONFERENCE ROAD TRANSPORT SECTOR CALLS FOR FUEL TAX AND VEHICLE DUTY TO BE CUT

EU commissioner backs hauliers' plea

By Juliette Jowitt in Birmingham

Neil Kinnock, European Union transport commissioner, yesterday supported calls from UK hauliers for fuel tax and vehicle duty to be reduced in line with other EU countries. "Until that happens the UK hauliers will continue to bear the burden of the disadvantage of themselves and to the economy," he added.

He also supported calls from delegates at the annual conference of the Confederation of British Industry for

urgent UK government action and more funding to tackle high transport costs and congestion costing companies "billions of pounds a year". The CBI is the UK's principal employers' organisation.

Mr Kinnock, a former leader of the UK Labour party, said delays to infrastructure improvements were a "false economy" which damaged businesses and jobs.

"Britain's congestion bill is over £20bn (\$34bn) a year and rising," he said. "Despite

the costs, the reality is that delay in developing essential infrastructure is a false economy. It disables commercial and social activity, it adds to operational and environmental burdens and it reduces productivity, and eventually the job has to be done at a higher price."

Mr Kinnock urged the government to maximise benefits of increased investment with supporting measures such as road tolls.

John Allan, chairman of the CBI's transport policy committee, said businesses

could not afford to wait for the government to implement promises to invest in infrastructure and measures to tackle congestion.

An extra £2.5bn investment a year was needed for transport, two thirds from state funds, in particular to increase rail freight capacity and efficiency to ease pressure on roads.

He repeated calls for cuts to fuel tax and vehicle excise duty, which road hauliers claim is helping overseas rivals operating from cheaper European neigh-

bours. "Taken together these costs will put a huge burden on business and could seriously damage UK competitiveness," he said.

The government yesterday launched a scheme to build stronger links between the Foreign Office and industry. Robin Cook, foreign secretary, said he was setting up a series of six-month exchanges between staff at his department and at the CBI.

Mr Cook said he would send some of his "top flight" officials to the CBI and

would help organise seminars across the UK to help boost the partnership. The Foreign Office will also hold an open day for business next year, targeted at small and medium sized firms.

"Talking together is good, but working together is an even better way to promote mutual understanding," he said. "I want staff at the CBI to know first-hand what the Foreign Office can offer, and I want my staff to know what business needs."

Mr Cook said at the CBI conference.

NEWS DIGEST

'AIR RAGE' CONFERENCE

Airlines ban man accused of attack on stewardess

A man accused of attacking an air stewardess with a broken bottle was yesterday shunned by international carriers as industry chiefs met at London Heathrow airport to discuss the growing threat of "air rage". Steven Handy has been banned from travelling with all UK airlines, Airtours said.

Unemployed Mr Handy, 37, is accused of attacking Airtours stewardess Fiona Weir, 31, on a flight from London Gatwick to Malaga in Spain last Friday. He has been

bailed by a Spanish court. The stewardess from Wimbledon, south-west London, needed 18 stitches after being hit over the head and out on the arms and neck with a broken vodka bottle. Delegates at a UK Flight Safety Committee conference sent the best wishes of the aviation community to her.

The conference was considering whether to recommend a nationwide blacklist of disruptive passengers. It would list those convicted of assaults against air crew or endangering flights, and could be used by any flight operator to deny trouble-makers access to aircraft. Airtours said its lifetime travel ban on Mr Handy had encouraged other airlines and Hoverspeed to follow suit. "We approached every major airline in the UK and all Spanish carriers and all our colleagues at those airlines; they are all backing the ban," an official said. Airtours also wants UK railway companies to join in.

PRIVATISED RAILWAY COMPANIES

Operators' punctuality still poor

Poor punctuality and high levels of cancellations on the privatised railways continued throughout the summer in spite of pressure from the government and the rail franchising director. Performance in the three months to mid-September was little changed on the preceding quarter but was worse than in the same quarter of 1997, John O'Brien, the franchising director, said in his latest report today.

In spite of this failure to improve services, the train operators still received £2.7m (\$4.6m) in incentive payments in the quarter and £6m in the year to date - roughly half the amounts paid in the comparable periods last year.

"Overall there has been no notable improvement in operating performance on the network and punctuality has continued to decline year on year," said Mr O'Brien. "Over the last three months, performance has shown little change." Charles Batchelor, London

FINANCIAL REGULATION

Advisers fined \$296,000

Interdependence Limited, a network of independent financial advisers, was fined £175,000 (\$296,000) by the Personal Investment Authority yesterday and ordered to pay £47,000 in costs. The action follows the company's failure to carry out its review of pensions mis-selling cases adequately.

The PIA has now fined 219 firms - mainly IFAs - a total of £5.4m for not conducting their mis-selling reviews to its satisfaction. Christopher Brown-Humes, London

Life after redundancy brings analyst a sense of balance

With job losses hitting world financial centres, a former US bank executive tells Alison Maitland of his fulfilling existence

The Bentley Turbo, bought "for a laugh" in the 1980s, has long gone. So have the earnings which once hit \$500,000 (\$845,000).

But John Hewitt, former head of Citicorp Scrimgeour Vickers, the US bank's ill-fated venture into securities in the City of London, has found ample compensation for the loss of the high life. Since Citicorp closed the operation in 1990, he has thrown himself into "good works" and dabbled in business.

With the latest wave of job cuts spreading gloom through the world's financial centres, Mr Hewitt's experience illustrates that life after redundancy can be just as fulfilling, if not more so.

"The City was all-consuming. You'd be having dinners or meetings in the evening. You never had time to look at the outside world," he says. "I loved the ritzy hotels. I liked gambling and drinking. But I always quite fancied a balanced life."

Mr Hewitt, once a top-ranking retail analyst, can easily envisage what might have been. Paul Roy, who ran Citicorp Scrimgeour

Vickers with him before joining Smith New Court, is now head of global equity markets at Merrill Lynch - which itself has just cut 3,400 jobs.

"When Paul is whizzing off to New York for a major oil company merger, I occasionally think: I could have done that," says Mr Hewitt. Heaving another log on an enormous bonfire in his garden, he laughs: "This is when I think I'd rather be working for Merrill Lynch... But then he doesn't have time to walk the dogs through the woods, which is one of the great joys. There is a price to pay for high earnings."

Mr Hewitt's transition from the City was considerably eased by the handsome sum he made as a partner in Scrimgeour Kemp-Gee when it sold out to Citicorp in 1984. He had long been determined not to die in the job: "It was a good life, but I never felt I'd been put on earth to be a stockbroker."

Now 52, he says he earns a twentieth of what he was paid 15 years ago.

"Some people would find that horrible and awful. But I quite like it. There are excesses in the City and

among high-flying business people." He chairs a hospital trust, does voluntary work and fund-raising, and has investments in a local health club and a small inventions company.

Many headhunters and career counsellors take the view that redundancy can be a catalyst for good.

"Losing a big job in the City allows senior people to think about the fundamental direction of their lives, which they rarely have a chance to do in the hubbub of work," says Stephen Bampfield, managing director of Saxton Bampfield Hewer, the executive search firm.

George Maize, who runs the Wall Street office of Lee Hecht Harrison, a career management consultancy, expects the current downturn to bring the biggest across-the-board job losses since the early 1990s. But he does not believe financial workers need be very pessimistic.

"At the time, people can't see the good that can come out of it. But it can often be a very liberating experience."

The opportunity to achieve



Dog days: John Hewitt has left the frantic pace of the City behind him

David Aronow

a really rewarding new life-style after redundancy does not depend on high status and substantial resources. Stephanie Clark worked for Bankers Trust in Manhattan for 18 years. Then she lost her job as a middle manager in the securities back office operation four years ago.

After career counselling and a year off, she opted for a job in private industry where "I can see my contribution making more of an impact". At 41, she is enjoying the \$90,000 to 170,000 life as office manager for Blumex, a Dutch-owned flower business on Long Island.

Mr Hewitt is keeping his options open and has "thought vaguely" about a short-term return to the financial world. He plans a three-month walk along the pilgrim route to Santiago de Compostela in north-west Spain to ponder his next move.

Senior minister cools enthusiasm over euro

By David Wighton, Political Correspondent

The economic conditions may never be right for Britain to enter the single currency, a senior cabinet minister said yesterday, apparently reversing the government's more enthusiastic stance on the euro.

Jack Cunningham, the minister responsible for co-ordinating government policy, declined to endorse the line taken on Monday by Peter Mandelson, the chief trade and industry minister, that joining the euro was a matter of "when" not "if".

Asked on BBC radio if it was inevitable that the economic conditions would eventually be appropriate for sterling to join, Mr Cunningham said: "They may not, of course."

Mr Cunningham insisted that the position on the single currency had not changed in spite of the shift in tone detected by business leaders in speeches by Mr

Mandelson and Gordon Brown, the chancellor of the exchequer, on Monday.

Mr Mandelson told the Confederation of British Industry, Britain's largest employer's organisation: "We have made clear that we will join the single currency when it is in Britain's economic interests to do so."

Mr Mandelson later restated the government position set out by Mr Brown a year ago.

But the apparent change of emphasis was reinforced by Mr Brown's announcement of a cross-party parliamentary committee to review preparations for economic and monetary union.

The committee will work alongside the standing committee on preparations set up by the chancellor a year ago. The standing committee last week studied a draft of the government's change-over plan which is understood to envisage a transition period that could last

until 2005. But business leaders believe Britain could move faster to full membership of the single currency.

Adair Turner, the director-general of the CBI, said the period between the fixing of the sterling-euro exchange rate and the introduction of notes and coins could be reduced to about 15 months from the 3½ years which the first-wave countries are going through.

The draft change-over plan being studied by the Treasury says there would have to be a 40-month delay between the announcement of government plans to hold a referendum and the introduction of euro notes and coins. That suggests that the transition period could last until 2005.

Sir Clive Thompson, president of the CBI, this week called for the government to set a date for a decision to join the single currency.

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British Council seeks new head

By David Buchanan in London

The British Council, the body which promotes Britain's image and culture outside the UK, yesterday started its search for a replacement to David Drewry, who resigned at the weekend after only 10 months as director general. Baroness Kennedy, who chairs the British Council board, is to head a board subcommittee to search for a successor to Mr Drewry who quit after a clash with senior managers and board members over staffing policy.

The British Council has 6,000 staff in 110 countries including the UK and a budget of £412m. One third of this is a subsidy from the Foreign Office, while much of the rest is income from teaching English.

The organisation is being run on a temporary basis by Tom Buchanan, one of four senior managers whom Mr Drewry sought to remove from their jobs.

Mr Drewry's proposed personnel changes were part of his effort to give the organisation a new direction in line with the new image sought for Britain by the government.

But his attempt to move four of the council's five senior managers at one time - described by one insider as unprecedented - backfired and he was forced to back-track.

A statement issued over the weekend said Mr Drewry, a geologist, felt he had completed the first stage of his strategy review and it was now appropriate for him to return to academia.

Mr Drewry was previously director of science and technology at the Natural Environment Research Council. Mr Drewry was said to have found difficult the political manoeuvring involved in running such a large organisation with a strong board partly made up of MPs from the major parties and in satisfying the various lobbies with an interest in the British Council - higher education, the Foreign Office and governments outside the UK.

Digital TV group may offer cheap phone calls

By Cathy Newman in London

On Digital, the group owned by two British independent television companies, is considering offering cut-price telephony as part of its 30-channel digital terrestrial television service.

The group, which launches in under a fortnight and transmits via roof-top aerials, is to hold talks with cable operators about the idea. It would hope to introduce cheap telephony sometime next year.

The move would make On Digital more competitive with British Sky Broadcasting, the satellite company which last month started broadcasting a 140-channel digital service.

Cable operators have driven subscriber numbers by offering packages of television channels and cheap telephony. NTL, the UK's third biggest cable company, would be a natural partner for On Digital.

NTL owns a third of S4C Digital Networks, another digital terrestrial television operator, and has built the transmission network used by On Digital.

Unlike most other cable companies, NTL has a national telephone network, so it would be able to offer cheap telephony to On Digital's customers nationwide.

However, On Digital is believed to be keen to explore the plan with others such as Cable & Wireless Communications, the UK's biggest cable company.

BSkyB has experimented with offering customers a low-price phone line through British Telecommunications, but it has not marketed the service. Subscribers to BSkyB's trial telephony offering, SkyDial, receive a separate bill from BT's, whereas cable companies combine phone and television charges in one invoice. ● UK commercial radio companies are to start using

the internet for the buying and selling of advertising slots on local stations in an effort to boost their £400m annual advertising sales, writes John Gapper.

The commercial radio companies, led by groups such as Emap and GWR Group, believe they could boost their relatively small share of the total display advertising market by making it easier for agencies to buy radio advertising.

The Radio Advertising Bureau, which represents commercial operators, is investing £500,000 in an internet project that will allow radio sales houses to trade electronically with buying agencies representing advertisers.

Although radio advertising has grown strongly in the past five years - and reached £100m in the third quarter of this year, according to new figures - sales are limited by the fragmentation of the industry.

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THE BRITISH ECONOMY

PRE-BUDGET REPORT FORECASTS SCALED BACK BY 'EVERY COUNTRY, EVERY CONTINENT, EVERY INTERNATIONAL FINANCIAL INSTITUTION'

Chancellor paints gloomy world picture

By Vicki Bakshi in London

Gordon Brown, UK chancellor of the exchequer, yesterday delivered his pre-Budget statement with worries about the world economy clearly weighing on his mind.

A sharp reminder of the global slowdown came at the beginning of his statement to the House of Commons. The international financial turmoil, Mr Brown said, had "forced every country, every continent, every international financial institution to cut their estimates for growth".

World trade growth, he said, was set to fall by two-thirds this year, and a quarter of the world was now in recession. The new official estimate for output growth in the UK next year is 1 to 1.5 per cent, down from the 1.75 to 2.25 per cent forecast in the Budget in March.

Mr Brown stopped short of pressing the Bank of England for further interest rate cuts. He even sent a subtle warning to Labour MPs who have been hinting that rates should be lower. "I do not believe that any political party... will, on reflection, bring party politics and short-termism back into interest rate decisions," he said.

Elsewhere in the world, growth forecasts have also been cut. The International Monetary Fund estimates that world output growth this year will reach only 2 per cent compared with its forecast of 4.25 per cent last October.

The European Commission recently cut its 1999 growth forecast for the euro zone from 2.6 per cent to 3.2 per cent.

But Mr Brown and his Treasury team are predicting that Britain's economic slowdown will be short-lived. Output growth is forecast to reach 2.25 to 2.75 per cent by 2000, and 2.75 to 3.25 per cent by 2001. That is comfortably above Britain's trend rate of

growth, estimated at 2.25 per cent by the Treasury.

These more optimistic forecasts may reflect a growing feeling that the worst of the global turmoil may soon be over.

Mr Brown has been at the forefront of efforts to reform the international financial system. This culminated in last week's statement by the G7 group of countries, which included a plan for precautionary credit lines for countries in trouble, as well as a commitment to maintain domestic demand growth and measures to improve transparency.

The statement added to perceptions that the West's policymakers are at last reacting to the crisis. The two cuts in US interest rates were crucial in improving market sentiment.

The decision by the US Congress to vote through the \$18bn International Monetary Fund quota contribution relieved worries that the IMF was running out of money. And fears about a crisis in Brazil are receding, following the announcement of a fiscal package and the establishment of the new IMF fund.

Talk of a world depression is muted, and investors are slowly moving back to riskier assets. Western stock markets have risen sharply

over the past month, and in Asia financial conditions have improved considerably.

But significant uncertainty about the international outlook remains. Further contagion cannot be ruled out, the fallout for Western financial institutions may not be over, and the lack of a credible macro-economic policy in Japan remains a worry.

Whether the UK can meet its growth forecasts over the coming years - and, therefore, whether the rosy estimates for the public finances will be fulfilled - will depend on whether the international economy really is hitting bottom.

Don Cruickshank, the former telecommunications regulator, is to lead a review of the UK banking industry which will focus on the financing of small businesses, but is expected also to look more broadly at the level of competition in the sector.

Gordon Brown said he had asked banks to work with Mr Cruickshank "to assess what steps can be taken to more effectively serve the needs of businesses in the economy".

Senior bankers, including Alan Moore, deputy chairman of Lloyds TSB; Lord Tugendhat, chairman of Abbey National; and Jon Foulds, chairman of Halifax, were summoned to the Treasury yesterday to be briefed on the review by Stephen Byers, chief secretary (a junior minister). He urged the banks, with an economic slowdown in prospect, to be careful in their dealings with small business.

But bankers, who had feared they might come under attack, said they were encouraged by the Treasury's recognition that the relationship between banks and small businesses had improved substantially since the last recession.

"We think this is a very positive move," said Derek Wanless, chief executive of National Westminster Bank, the largest bank in the small and medium business sector with an estimated market share of 26 per cent.

"Any downturn would clearly be a challenge for both banks and businesses in the UK. We welcome this early opportunity to work in partnership with the government to ensure we continue to provide responsible and innovative support for our business customers in more difficult times."

A Treasury statement said the review would be "genuinely open-minded". "The government has no pre-determined view on what options, if any, the review may recommend."

Tim Sweeney, director-general of the British Bankers' Association, said: "It is most encouraging that the chancellor recognises the positive effects of competition in banking markets and in particular the improvement in the relationship between banks and small firms since the last recession."

During the past five years, the Bank of England has been working to improve the mechanisms for financing small business. It has encouraged a shift away from the use of overdrafts - which are repayable on demand.

Gilt prices rallied after the pre-budget statement. The future on the 10-year gilt closed 0.87 points higher at 115.01. Sentiment was also lifted by short-term interest rate reductions in Sweden, Spain and Portugal.

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Focus on 'competitiveness' in danger of missing the mark

The view from industry is that the government needs to be doing more that will encourage business to help itself, writes Kevin Brown.

It is easy to poke fun at the notion of economic competitiveness. As Howard Davies put it when director-general of the Confederation of British Industry, the term had passed from academic jargon to cliché without an intermediate phase of meaning.

Nevertheless, Gordon Brown seems convinced that competitiveness is a serious issue. Improving Britain's competitiveness, he said yesterday, was essential if the country was to be at the forefront of the coming knowledge-driven international economy.

He used the related term "productivity" 12 times in his half-hour speech (three times as often as "prudent", usually the chancellor's favourite buzzword).

The chancellor's recommendations appear to be the product of a series of Downing Street seminars attended by dozens of business executives, government officials and ministers, and a blockbuster report released last week by McKinsey Global Institute, the research arm of the management consultancy. Later this month, the government will issue its first policy paper on competitiveness.

It all sounds important but what does competitiveness mean? There is surprisingly little coherent discussion behind the hand-wringing.

John Major, the Conservative prime minister who oversaw three policy papers on competitiveness between 1994 and 1996, described the first of the series as a "comprehensive national survey of Britain's competitive position against that of our leading trading rivals".

The signs are that the present government is thinking along similar lines, even though there are strong grounds for believing the

approach is flawed. Professor Paul Krugman, professor of international economics at the Massachusetts Institute of Technology, says most people make the mistake of believing that international trade is like business competition writ large.

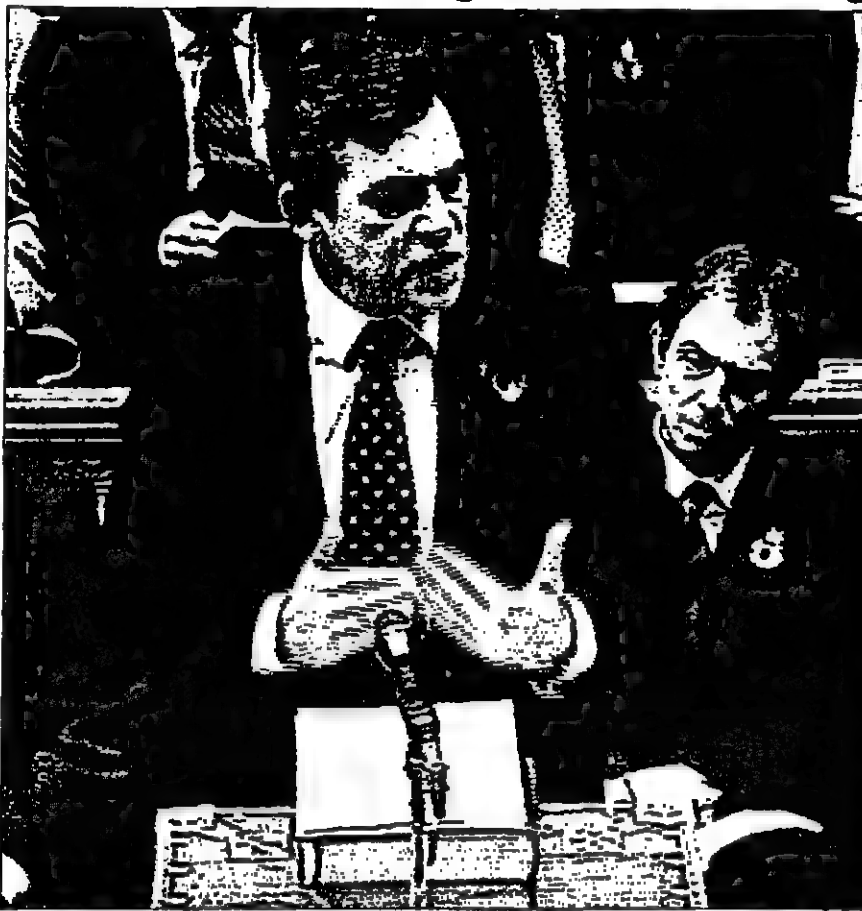
"Trade between countries is so much unlike competition between businesses," Prof Krugman says, "that many economists regard the word competitiveness, when applied to countries, as being so misleading as to be essentially meaningless."

Countries with relatively low productivity specialise in areas in which they have a comparative advantage; low productivity does not necessarily stop countries from being successful in international trade. Prof Krugman points to the example of British exports after the second world war, which were equal in dollar terms to those of the US, even though UK labour productivity was at the time only half that of the US.

David Kernohan, industrial policy adviser at the Engineering Employers' Federation, says this is why UK exports have held firm over recent years, in spite of a "persistent and subtly dangerous obsession" with the nebulous concept of national productivity. "The UK has a considerable labour cost advantage," Mr Kernohan says.

Lower labour productivity makes British workers cheaper to employ than their counterparts in countries such as the US and Germany. So the UK employs less capital and more labour. This reinforces relatively low labour productivity, but does not affect the UK's ability to trade internationally.

The UK, says Mr Kernohan, could become more pro-



Premier Tony Blair watches Gordon Brown warning MPs about 'global financial instability'

ductive overnight by employing more capital and paying fewer workers higher wages. "Is unemployment and the consequent high social cost structure really what the government wants?" he asks.

Even those who think the productivity gap matters are not sure how big it is.

The McKinsey report, eagerly awaited by the Treasury, estimated that UK labour productivity was 37 per cent lower than productivity in the US, and 36 per cent lower than in France or western Germany. But McKinsey also estimated that capital productivity in the UK was substantially higher than in France and

western Germany, and only 10 per cent lower than in the US. The report concluded that "total factor productivity", which measures all the inputs of production, was only 28 per cent lower in the UK than in the US. Compared with France and western Germany, the UK trailed by 13 to 14 per cent.

That is still a substantial gap. The question is whether it reveals anything meaningful. Measuring productivity is so difficult that economists argue constantly over the accuracy of any figures.

Research by Neil Blake and Paul Robson for the London Business School suggests that manufacturing productivity may have

grown more than five times faster in the four years to 1997 than official figures suggest, because of mismanagement of the changing workforce.

Kate Barker, chief economic adviser to the CBI, was sufficiently worried about the statistical problem to issue a warning at this week's CBI conference. "Frankly, data of this type can only give a broad indication," she said. "There are inevitable measurement problems."

There are other complications, too, such as the different picture that emerges if international productivity comparisons are adjusted to account for different work-

ing environments. For example, UK workers produce less in each hour than Americans, but they work longer each day. "When we think about catching up," says Ms Barker, "we need to think about what underlies these gaps, and therefore which features of other economies we want to emulate."

So are UK ministers wasting their time in putting so much emphasis on productivity? Not necessarily. At the level of the whole economy, the concept may be too slippery to use. But at the level of the individual company, it is vital.

Adair Turner, the CBI's director-general, says there is a high short-term price to pay for productivity improvements, as it inevitably raises unemployment. Nevertheless, he says the long-term gains are worth it.

The government should do everything it can to remove impediments to productivity growth, such as tax systems that discourage investment. Mr Turner says. It can also change the economic environment to encourage enterprise. But what it can do best is to back self-help programmes, such as a programme run by the big five motor manufacturers and the Society of Motor Manufacturers and Traders.

The results can be spectacular. The SMMT's series of masterclasses, run by engineers from Japan and Germany, typically cut the number of rejected parts by 75 per cent, and had an equally dramatic impact on equipment effectiveness.

Yesterday, Mr Brown set out the broad parameters within which the government thinks it can improve competitiveness. Mr Mandelson will fill in many of the gaps in his policy paper. But the view from industry is clear: stop frightening the horses with scary international comparisons, and start doing more to help industry help itself.

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Principal points from Gordon Brown's speech

FORECASTS:

Inflation to hit 2.5% target for next few years
Public spending to be £2bn (\$3.4bn) below forecasts this year
Budget surplus £5.5bn this year
Debt repayment £1.5bn this year
Growth of 1-1.5% in 1999, of 2.25%-2.75% in 2000 and 2.75%-3.25% in 2001
Current surplus to be £1bn next year, £3bn in 2000-2001, £3bn the year after and £10bn and £11bn in the next two years

■ **EDUCATION:** Tax relief for businesses that second staff to schools and colleges

■ **SHARE OWNERSHIP:** Review of ways to encourage staff to hold shares in their companies

■ **CORPORATE TAXATION:** Further corporation tax cut for small businesses considered; temporary investment allowance may become permanent; merger of Inland Revenue and Contributions Agency

■ **CREDIT:** Review of ways in which banks can boost business access to finance

■ **COMPETITION:** Bolster Office of Fair Trading

■ **INNOVATION:** Possible tax credit for small business based on R & D investment; endowment of up to eight new institutes of Enterprise in British universities

■ **VENTURE CAPITAL:** Review of how to encourage investment in start-ups and boost availability of funds

■ **EMPLOYMENT:** Extension of New Deal to 28 further areas in Britain, and to all in Northern Ireland who have been unemployed for over 18 months

■ **NATIONAL INSURANCE:** From April, no employers' NI payments on earnings below £93 a week

■ **CHILD CARE:** Tax credit to cover all children up to 14 years old and disabled children up to 16

■ **NATIONAL (STATE-RUN) HEALTH SERVICE:** Extra £250m this winter

Ex-regulator to lead review of banking sector

By George Graham, Banking Editor

Don Cruickshank, the former telecommunications regulator, is to lead a review of the UK banking industry which will focus on the financing of small businesses, but is expected also to look more broadly at the level of competition in the sector.

Gordon Brown said he had asked banks to work with Mr Cruickshank "to assess what steps can be taken to more effectively serve the needs of businesses in the economy".

Senior bankers, including Alan Moore, deputy chairman of Lloyds TSB; Lord Tugendhat, chairman of Abbey National; and Jon Foulds, chairman of Halifax, were summoned to the Treasury yesterday to be briefed on the review by Stephen Byers, chief secretary (a junior minister). He urged the banks, with an economic slowdown in prospect, to be careful in their dealings with small business.

But bankers, who had feared they might come under attack, said they were encouraged by the Treasury's recognition that the relationship between banks and small businesses had improved substantially since the last recession.

"We think this is a very positive move," said Derek Wanless, chief executive of National Westminster Bank, the largest bank in the small and medium business sector with an estimated market share of 26 per cent.

"Any downturn would clearly be a challenge for both banks and businesses in the UK. We welcome this early opportunity to work in partnership with the government to ensure we continue to provide responsible and innovative support for our business customers in more difficult times."

A Treasury statement said the review would be "genuinely open-minded". "The government has no pre-determined view on what options, if any, the review may recommend."

Tim Sweeney, director-general of the British Bankers' Association, said: "It is most encouraging that the chancellor recognises the positive effects of competition in banking markets and in particular the improvement in the relationship between banks and small firms since the last recession."

During the past five years, the Bank of England has been working to improve the mechanisms for financing small business. It has encouraged a shift away from the use of overdrafts - which are repayable on demand.

Gilt prices rallied after the pre-budget statement. The future on the 10-year gilt closed 0.87 points higher at 115.01. Sentiment was also lifted by short-term interest rate reductions in Sweden, Spain and Portugal.

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MANAGEMENT & INFORMATION TECHNOLOGY

INTERVIEW BOB LUTZ

Maverick still firing on all cylinders

The former Chrysler executive explains his controversial ideas on the mechanics of successful companies to Nikki Tait

EThe customer is not always right. When it comes to financial controls, looser is frequently better. And too much teamwork can lead to bad decisions, waste and failed products.

Management theories emanating from Bob Lutz might be expected to be controversial – and his new book* fulfils all expectations. This, after all, is the maverick former Chrysler executive who freely admits to the personal motto: "Often wrong, but never in doubt."

Mr Lutz is also the man who never got to run Chrysler. He was famously developed as the heir-apparent of Lee Iacocca, the Detroit carmaker's legendary chairman, but was passed over in favour of GM's Bob Eaton when Mr Iacocca resigned.

But, to the surprise of the US auto industry, Mr Lutz did not walk out. He worked, apparently harmoniously, alongside Mr Eaton as chief operating officer, president and then vice-chairman; saw Chrysler through its "second" financial crisis in the early 1980s; and was instrumental in the development of the Viper, the powerfully vulgar sports car that helped revive the carmaker's image. He retired, a good deal richer, in the wake of the Daimler-Benz bid this year.

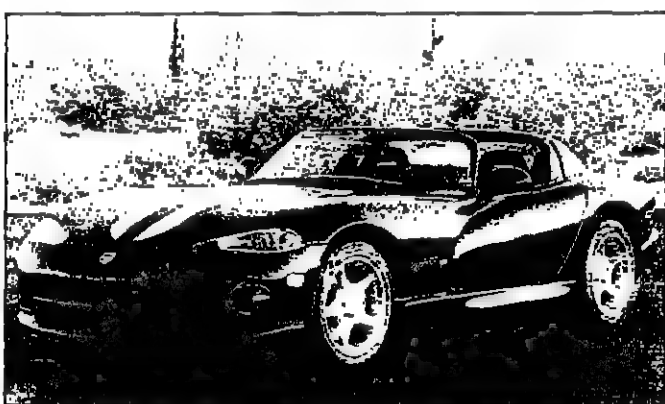
But in spite of a reputation for flamboyance – enhanced by his ownership of two aircraft, a helicopter and a stable of classic cars and bikes – there is still a blunt realism about Mr Lutz. He gives

an interview, for example, in a small office on a University of Michigan campus, backed by a garish painting of a jet fighter, and seems almost as interested in the newly discovered mechanics of book publishing as in 10-cylinder engines.

So, why write a book about management philosophy, and touch on Chrysler only tangentially to illustrate some themes, when the carmaker's recent history has been the topic of such intense media interest?

Mr Lutz has two explanations. "I had formed certain opinions of why certain companies succeed and some fail, especially in the consumer products business. I find that successful companies have certain traits. Absent those traits, they will either be overly creative and chaotic, which leads to failure, or they'll be overly analytical and cautious, what I call left-brained," he says.

And, he admits, there were more pragmatic considerations: "The other reason I didn't do an 'Inside Chrysler' book is that it has been done about three times already. And none of the books did very well." As for a kiss-and-tell tale about the internal work-



Powerful reviver: the Viper, a Lutz project, helped rejuvenate Chrysler's image



Driving force: Bob Lutz's book on management philosophy cuts through a lot of business-school blather to explain why he thinks some companies succeed and others fail

ings at the carmaker, that was constrained by the mutual non-defamation agreement between Mr Iacocca and executives.

"Anything which could be construed as derogatory, and our former chairman could wind up costing any one of us dearly. So it's like your mother always said: if you don't have anything nice to say about people, don't say anything at all."

The reader is not necessarily the loser. Although the book is, at times, a rather curious amalgam of Chrysler history, management philosophy and personal opinions, it still cuts a welcome swathe through a lot of business-school blather.

The central theme is the need for a "split personality" in successful companies. Essentially, Mr Lutz's concern is how to keep an organisation and its employees imaginative and energised – without sacrificing efficiency. His own instincts, he admits, probably err on the creative side. "I've always liked to surround myself with people who are disciplined. If I had to do it by myself, I think it'd be all right – but I'm not sure," he confesses.

Part of the solution, he thinks, lies in solid rules and firm demarcation lines. "Yes, on the one hand, you want to permit as much creative latitude as possible. You want people to have as much freedom as possible in determining the 'how' something

is done. But the senior people, on the other hand, have to be totally in charge of the 'what'."

Another guideline is not to get bogged down by endless market surveys. "The customer is always

'I've always liked to surround myself with people who are disciplined'

right" slogan, he notes, is inevitably limiting. "With products and services there is a need for creative leadership, where you step out ahead of the stated customer wants."

"Do you think that test pizza A tastes better than test pizza B? Well, there may be the all-new pizza C, which some creative genius in the Domino kitchens would like to try, but nobody's

ever done one like that, so they're not even going to show it to the public yet."

This same point is rammed home in the book, with the tale of Chrysler's "small car" research in the late-1980s. This found that most buyers would like a car a few inches bigger, and nearly led the carmaker to invest several million dollars in making a slightly larger subcompact, which would have then exactly matched the dimensions of an existing compact.

"So fixated were the marketing people on solving the customers' problem that when the ludicrousness of this solution was at last pointed out – creating a car we'd already created, then selling it for less than we were already getting – their riposte was: 'But we've got to listen to the customer,'" Mr Lutz writes.

So, which companies, Chrysler excepted, does he admire? He ponders, and then makes the surprising choice of Britain's Wilkinson Sword of the 1980s. "Back about 30, 25 years ago,

the shaving products market was just totally dominated by Schick and Gillette. Then this age-old British company came in and did an absolutely superior razor blade, which neither of the other companies had thought of doing."

"It adopted a somewhat higher price strategy – but based the whole marketing approach on tradition, excellence, superior product, and, by the way, was going to request slightly more money from you. It was a strategy that market research should have said wasn't going to work – because Schick and Gillette were in this knockout, drug-out price war. I'm sure that the market research said that razor blades are all the same."

***Guns – The Seven Losses of Business that made Chrysler the World's Hottest Car Company, by Bob Lutz. Published by John Wiley. Price: \$24.95 (US); £16.50 (UK). Available from FT Bookshop by ringing Freecall 0800 300 633 (UK) or +44 181 334 5511 (outside the UK). Free p&p in UK**

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LOUISE KEHOE
IN SAN FRANCISCO
EAGLE EYE

US and them on trade

Europe may be doomed to become a backwater in e-commerce because of high telecoms costs and lack of expertise

Electronic commerce traverses national boundaries. Anybody, anywhere in the world can compete on an equal footing on the Internet. Right? Not quite, says Richard Jones, founder of FortuneCity.com, who has just moved his company's headquarters from London to New York.

A one-year-old community web site offering everything from free e-mail to topical discussion groups, FortuneCity has grown rapidly to rank 31st in the world in terms of internet traffic, according to September figures from Media Matrix, an internet market research group. FortuneCity was the only non-US web site in the top 200 until it moved.

Why uproot a thriving business? To be closer to sources of venture capital funding and in on the latest internet buzz all played a part, says Mr Jones, but the move really arose from more basic issues. The high-capacity leased telephone lines linking his web site to the internet were almost twice as expensive in the UK and hard to get. Finding people experienced in running a "server farm" of 100 or so computers was nearly impossible in London.

Forming transatlantic partnerships with US companies was also proving difficult, says Mr Jones. "People dismiss you as a UK company. There is a perception that you cannot be that good or that successful if you are based in the UK, because the US dominates the e-commerce market globally."

FortuneCity's story shows the disadvantages faced by non-US ventures as they attempt to make headway in e-commerce. In particular, higher telecoms costs are a killer. UK costs are lower than those in some other parts of Europe, but they are still considerably higher than in the US. This hangover from the bad old

days of regulated telecoms is a serious barrier for aspiring European e-commerce ventures. No wonder there is a shortage of experienced web site engineers and a perception that e-commerce is dominated by the US.

If this situation persists, Europe may be doomed to be a backwater in e-commerce.

On the topic of web site rankings, Media Matrix also produces a top 10 list of shopping sites, measured by the volume of traffic, rather than revenues. No surprise that bookseller amazon.com comes in at number one. But the second busiest shopping web site is less familiar.

Blue Mountain Arts (www.bluemountainarts.com) may not get a lot of attention from Wall Street, but it is attracting about 6 per cent of all internet users, according to Media Matrix's latest figures. A Colorado company whose biggest claim to fame is a legal victory over Hallmark Cards, recently settled by the US Supreme Court, Blue Mountain Arts is a publisher of inspirational books and greetings cards.

Its web site is the leading provider of online greetings. The web site is offered as a free "public service" and includes animated greetings cards for every holiday and special occasion – and more. There are thank-you cards and "sorry" cards; wedding invitations and cards to send to an "ex-lover"; cards for Thanksgiving and Guy Fawkes Day. Blue Mountain is not really an "e-commerce" site, as it does not sell anything. However, the company is reported to be exploring the introduction of advertising.

When Eagle Eye first mentioned illustrated e-mail greetings about 18 months ago, readers were not at all impressed with the idea of pictures cluttering up their e-mail. But there are now dozens of web sites offering

greetings cards. E-greetings (www.e-greetings.com) – formerly known as Greet Street – has seen its traffic grow from 750,000 individual visitors in January to 3m in September. The company offers a range of free cards and charges \$1.75 for more elaborate animated ones.

Postcards, a web site produced by MIT's Media Lab (postcards.media.mit.edu/Postcards), offers a menu of paintings by the likes of Van Gogh and Monet, courtesy of the Web Museum. Corbis Web (www.corbis.com) lets you choose from a collection of about 500,000 images to send a free electronic postcard, courtesy of Bill Gates, who owns this company.

E-mail may be the most compelling application of the Internet, but there is a new category of services that may become almost as important.

Web calendars – web sites that gather information about forthcoming events related to your personal or business interests and present them in a calendar format – are hot news. With Yahoo's purchase of Webcal, one of the pioneers in the field, other web portals are looking for ways to match

their competitor. This puts When (www.when.com), a one-year-old California start-up, in the frame.

When launched a beta version of its web site this week. The company gathers information about forthcoming events – trade shows or opera performances, sports events or TV listings – and presents them on your personal calendar. The service is free. The company will make money on advertising, sponsorships and transaction fees, says Ted Barnett, chief executive. The latter fees include a percentage of the takings when users buy tickets for events listed on a calendar.

Rather than be gobbled up by another web portal, When hopes to co-brand its services, creating multiple calendars on various portals and corporate web sites.

It is too soon to predict who will win in this field. Yet the potential of web calendars is evident to anyone who has used Hotmail, or one of its competitors. Like the web-based e-mail services, web calendars will make your information accessible from any computer linked to the Internet.

The next step may be to combine a web calendar with a desktop electronic appointments calendar. You could look up your calendar from any computer, check or enter new appointments, let colleagues and associates pencil in meetings for you and synchronise it all on the calendar web site.

Some may be supported by advertising, others fee-based, and it is not hard to imagine branded calendars. Perhaps internet service providers will host calendar services. Web calendars will succeed. The only question is who will profit from them, and when.

Share your views in the Eagle Eye discussion group on the FT web site (www.ft.com) or contact Louise Kehoe by e-mail on lkehoe@ix.netcom.com



The Big To
arrives in
Beverly Hill

All the moves, bu

Arts
Guide

THE ARTS

ANTIQUES FAIRS LOS ANGELES

The Big Top arrives in Beverly Hills

There has never been a large, successful art and antiques fair in Los Angeles. In fact, the art industry as a whole has been slow to tap LA's rich resources.

But that is now changing. Gone are the days when dealers sit back in their galleries and wait for buyers to walk through their doors. They have to travel the world to service their old clients and try to make new ones. More or less all have come to accept that their best means of defence against the auction-houses is to join forces for glamorous, high profile art and antiques fairs.

Enter David Lester, the man who has had more success with a tent

There were enough diamonds on display to illuminate Tinsel Town in a power cut

than anyone since P.T. Barnum. Lester has doggedly refused to believe that there is no place for top-quality art and antiques fairs in the US outside of New York. So his International Fine Art Exhibitions provides his clients, the dealers, with an elegant \$1m tent.

The beauty of Lester's 36,000sq ft pavilion, complete with its own independent and sophisticated lighting and climate control, is that it can go up more or less anywhere. The clientele the dealers have in mind are not tempted to visit ugly, edge of town convention centres: Lester offers them central locations and valet parking.

At Palm Beach, there is even yacht dockage - and in just two years, the Palm Beach International Art & Antique Fair has proved itself a winner. Sufficient top dealers have seemed only too happy to extend the short art market season by holding up in Palm Beach in January; many of its European exhibitors have already had the expense of shipping their stock across the Atlantic for the established International fair in New York. Despite poor weather, Lester believes the last fair generated some \$50m in sales. Little wonder that a significant number of exhibitors, and eager new ones, have signed up for other fairs in the playgrounds of the temporarily idle rich - Aspen in July and Southampton in August.

Last week, however, the Big Top went up in Beverly Hills, its white

pinnacles a conspicuous adornment to the Robinsons May parking lot on Wilshire Boulevard. Roadside banners heralded the fair, and the barker was busy on the finishing touches to a \$600,000 publicity campaign. Banks of flowers arrived, and 65 dealers from Britain, France, Belgium and across the US - and no one, not least the East coast dealers, knew what to expect or quite what to bring.

The exceptions, of course, were the 11 jewellery dealers: there were enough diamonds on display to illuminate Tinsel Town in a power cut. Fred Leighton from New York, for instance, offered a \$1m Tudor Rose brooch made for Napoleon's piece, the Princess Mathilde and subsequently owned by Mrs Cornelius Vanderbilt; and the largest Moghul emerald in the world, a 420 carat stone that belonged, no less surreally, to both the Maharajah of Patiala and Vita Sackville-West, a snip at \$800,000. London's Spink offered a \$1.3m Chinese jade; Belle Epoque, Art Nouveau, Deco and Retro were on offer at Aviva of Geneva.

The picture dealers covered all possibilities, too. Hervé Oudematt of Paris, for instance, showed Basquiat as well as Chagall's "The Lovers" of 1961 (\$2.5m) - one of the finest works by the artist on the market for years and the best of numerous examples here - and a \$7m Cézanne landscape. New York's Beadleston Gallery showed another ravishing and reasonably priced \$7m Cézanne, and alongside it an exceptionally fresh and charming Belle Epoque view of the Jardin du Luxembourg, and Dali's artist's proof of the painted bronze, "Venus de Milo aux tirroirs" which belonged to Gali's daughter. The throna, or drawers, according to Dali, were there to let out all our modern complex inhibitions and save on analysis. Just the thing for Hollywood.

Standards were exceptionally high at the paintings and print dealers (though there were far too few furniture and Asian art dealers exhibiting). Philippe Cazeau & Jacques de la Béraudière, for example, offered another covetable Cézanne, and a major Nabis period Bonnard portrait of his sister (\$2.4m), the second version of which is in the Musée d'Orsay. Perhaps the fair's most breathtaking stand comprised a selection of impeccable Toulouse-Lautrec lithographs from the renowned print collection of Sam Jacobowitz. On



High standards: Bonnard's portrait of his sister, the second version of which is in the Musée d'Orsay, is priced at \$2.4m

the stand of Santa Barbara dealer Robert Light, they came with tags of \$4,500-\$15m. Interestingly, it was 19th century Salon painting that prompted most of the cheques. By the time I had left, Trezza of New York, for one, had sold five works. British arms and armour dealer Peter Finer was pleased, too. He had hoped to find some new clients and encourage a new generation "to look at something other than cowboy guns". Who could not prefer a stunning

pair of silver and tortoiseshell belt pistols made for the Viceroy of Mexico in 1882 (\$580,000)? In the end he found five new clients. Leading Mexican and Latin American art dealer Mary Ann Martin already had numerous Hollywood clients. She sold a striking Tamayo to a collector she already knew, but to whom she would not have thought of offering this particular picture. She was also offered a work of art she wanted to buy.

Asprey & Garrard, the British Crown Jeweller, sold from their entire range, from a George I silver teapot to a contemporary silver tea service and a \$500,000-plus sapphire and diamond necklace. One thing this fair has demonstrated is that Los Angeles are not only interested in contemporary art, although diamonds may well still be a girl's best friend.

Susan Moore

Good parts that fail to add up

THEATRE ALASTAIR MACAULAY

Ugly Rumours
Tricycle, London HMS

Ugly Rumours, the new satire on Blairism by Tariq Ali and Howard Brenton, has two marvellous performances, and it bursts into comic life whenever these two actors are onstage. One is Gordon Kennedy, who plays the chancellor of the exchequer, "Gordon Macduff", with fabulous intensity. On those Danferline-friendly vowels that alternation between dour brooding and boyish enthusiasm: the conscience-stricken alarm with which he reports that the prime minister is planning to merge the TUC and the CBI...

The other is Sylvia Syms, who - though only appearing in some three scenes as Mrs Thatcher and in one as the crowned "Mrs Windsor" - shows us all that there is no such thing as a small role. On she comes as Maggie, the ghost that has never left 10 Downing Street, vacuuming up socialism from the Blair household, and she is at once a full-blown Spitting Image, disturbingly manic.

As the Queen, she allows full space to react to the names of each of her 10 prime ministers. Ah, the spasm of loathing when Thatcher's name is mentioned; the blank of near-oblivion when Major's name comes up. And then the delicious mini-panic as she asks the prime minister: "There haven't been any more sightings of the People's Princess, have there? Philip is terrified she's coming back, like Elvis."

Ugly Rumours would be funnier if all the performances were on this level. As comedians, and as the spin doctor Polly Mandacity, Jays Griffiths performs with a self-satisfied knowingsness that gets the show off to an irritating start. In truth, however, the performers - directed by Christopher

Morahan and Stephen Rayne - give more to their script than it gives to them. Ugly Rumours works very hard to debunk New Labour and to show that the prime minister, Tony Blair, is really an anti-socialist, anti-parliament, and anti-democratic soulless monster following, with terminal boyishness, in Margaret Thatcher's wake. But the strain shows.

It hardly matters whether or not your own politics coincide with those of authors Ali and Brenton: Ugly Rumours is just too relentless, too hectoring, too erudite. Making the Queen read Gramsci, having characters refer to Spinoza and Wittgenstein and quote Chekhov, dramatising the chancellor as if he were young Hamlet haunted by the wronged ghost of John Smith... It's all very wise, very flashy, oddly alienating.

There are, admittedly, good lines along the way. A spin doctor offers Tony Blair alternative ways of presenting policy. "There's the Marlon Brando, Al Pacino, Bill Clinton method: you've got to believe what you're saying." "What's the other way?" the prime minister responds. Impatiently. There is the way the prime minister rewrites Churchill's "we will fight them on the beaches" speech, line by line: "No, we will meet them on the beaches, and exchange views..." Also the way he wears a baseball cap backwards, William Hague-style, and does a rap number with repellent slickness.

Meanwhile the chancellor becomes almost fascinating: reluctant to follow his spin doctor's advice to marry and yet intensely sexual in his fantasies of power, heroically anguished in his quest to right the wrongs of murdered socialism but stolidly finding himself outpaced at every turn by the creepy Tony Blair. But the comedy is never organic. And the fierceness of the satire proves more chilling than the Blairism it targets.



Marvelous performance: Sylvia Syms, with Neil Mullarkey

All the moves, but no message

DANCE CLEMENT CRISP

Savoyard and Tinsel
Sadler's Wells, London EDI

I cannot imagine at the altar of which strange god the Royal Ballet has chosen to sacrifice large sums of money on Ashley Page's ballets. For the past decade his new works have come in their expensive decoration and, unlamented, have gone - into a limbo of unregretted experiment.

Their manner is familiar. A theme that just escapes

comprehension: elaborate and costly design in "painterly" and modern guise, scores that are often distinguished but which must be made to serve Page's ends - thus the spatchcocking of Prokofiev with Robert Moran, and the newest use of two unrelated Poulenc scores. These ballets have added scenarios - the sci-fi nonsense of Blood-times; the fluster of Piano or Two-part Invention - and as one replaces the other it is tempting to wonder why the Royal Ballet bothers.

The flag - and it is a flag of convenience - under

which all this work sails is, of course, that of "modernism". Page uses contemporary artists, contemporary scores, but with a lack of discrimination, with a desperate need to be up-to-date, that is ever willing to try and never able to realise what must be his Diaghilevian ideal. There are virtues in his work: he can put steps together, and in Pursuit I thought he had broken through to potent and fruitful academic innovation, the dance clear, alert, logical. His ballets' flaw, for me, is a lack of final purpose - a case of "all those words, and no

message". And, the Royal Ballet keeps coming back for more. Creation for the sake of creation is not an artistic policy.

The newest Page piece, seen on Monday night at the Wells, is Savoyard and Tinsel. Its theme, I suppose, is that circus performers are as faithless, sexually greedy, foolish and emotionally fly-by-night as the rest of humanity. There is a large and unappealing set (tent, with a vast ramp, and a skied ladder) and vulgarly dreadful costumes, all by Jon Morrell. There is a cast of nine, identified by name

if not by action) as circus performers. There are groupings and mopings - one seems the hapless focus of a great deal of feeling, of one kind or another - and a chap in drag.

Performances are, I found, entirely unconvincing, because there seems neither logic nor wit to what the dancers are called upon to do: all they have is a repertoire of sexual signals to each other. And there is Poulenc, being taken to the cleaners. The double piano concerto (admirably played by Tim Quilley and Paul Stobart) is not there to sustain Page's dramatic scheme. It seems rather that he galvanises his flaccid characters as the music develops - and its

logic is not his logic. He precedes this with a movement from the clarinet sonata, for no evident reason, since the circus folk - all employed by Barnum and Cliché - behave no differently. I thought the whole affair catastrophic.

The rest of the programme brought a decent if somewhat under-lit performance of MacMillan's Las Hermanas, and the last act of Raymondia with Darcy Bussell on admirable form in her solo, with Igor Zelensky as her partner, soaring handsomely but wearing a tinsel Alice-band which does nothing for the image of male dancing or the character of a Crusader. Antony Twiner gained sterling performances from the orchestra.

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
● The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Wilard White; Nov 4, 7, 10

EXHIBITIONS
Rijksmuseum
Tel: 31-20-673 2121
● Van Gogh in the Rijksmuseum: during the period of the Van Gogh Museum's closure for renovation and building work, a selection of its finest holdings will be exhibited in the Rijksmuseum's South Wing; to Mar 7

BERLIN
DANCE
Deutsche Oper
Tel: 49-30-34384-01
● Cinderella: new staging by Roberto de Oliveira. The title role is danced by Tamako Akiyama.

and the conductor is Peter Ernst Lassen; Nov 7

OPERA
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
● Christoph Columbus: by Milhaud. New staging by British film director Peter Greenaway, conducted by Philippe Jordan; Nov 5

CHICAGO
OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
● Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 6
● Mourning Becomes Electra: by Martin David Levy. New production by Liviu Cludel, conducted by Richard Buckley; Nov 4, 7

EXHIBITIONS
Art Institute of Chicago
Tel: 312-443 3600
www.artic.edu
● Art and Archaeology of Ancient West Mexico: more than 200 works, including terracotta figures found in tombs, and findings of recent excavations. Many of these objects have never before been publicly exhibited; to Dec 6

COPENHAGEN
EXHIBITIONS
Louisiana Museum of Modern

Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
● Joan Miró: big retrospective comprising 140 paintings, drawings and sculptures, including works borrowed from the artist's family since the exhibition was shown in Stockholm over the summer; to Jan 10

GLASGOW
OPERA
Scottish Opera, Theatre Royal
Tel: 44-141-332 9000
● Dalibor: by Smetana. Conducted by Richard Armstrong in a staging by David Pountney; Nov 4
● Theatre Royal
Tel: 44-141-332 9000
● Scottish Opera: The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Nov 5

HELSINKI
DANCE
Finnish National Ballet
Tel: 358-9-403 021
● Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garforth; Nov 4, 7

LAUSANNE
EXHIBITIONS
Musée Cantonal des Beaux-Arts
Tel: 41-21-312 8332
● The Collection of Dr Henri-Auguste Widmer; to 30

years, Widmer collected more than 600 works of art. This display, designed to pay tribute to one of the museum's most generous donors, includes works by Boudin, Delaunay, Chiricoulli and Roussseau. The exhibition also includes sculptures and a selection of antiquities; to Nov 8

LONDON
CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: Michael Tilson Thomas conducts a series of works by Stravinsky; Nov 6, 8

DANCE
Sadler's Wells
Tel: 44-171-663 8000
● Rambert Dance Company: Cruel Garden, by Lindsey Kemp and Christopher Bruce. Evocation of the life and work of Federico García Lorca, set to music by Carlos Miranda, performed by London Music; Nov 10

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mary Stuart: by Donizetti. Conducted by Jean-Yves Ossonne (Noel Davies from Nov 7) in a new staging by Gale Edwards, with costumes by Jasper Conran. Ann Murray sings the title role, with Susan Parry as Elizabeth; Nov 5, 7, 10

EXHIBITIONS
Royal Academy of Arts

Tel: 44-171-300 8000
● Charlotte Salomon: born in Berlin in 1917, Charlotte Salomon died in Auschwitz in 1943, after living in hiding in the south of France for three years, during which time she produced a series of 766 gouaches called Life? Or Theatre?, exhibited here, which has been interpreted as a form of self-protection against the violence of the Nazi era; to Jan 17

MILAN
OPERA
Teatro alla Scala
Tel: 39-02-88791
www.lascala.milano.it
● L'Elisir d'Amore: by Donizetti. Massimo Zanetti conducts a staging by Ugo Chiti, with designs by Tullio Pericoli. Mariella Devia sings the role of Adina; Nov 6, 8

MUNICH
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatsoperbayern.de
● Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schmitzer and Peter Seifert; Nov 7

NEW YORK
OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 8000

www.metopera.org
● Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. With Renée Fleming, Cecilia Bartoli and Bryn Terfel, conducted by James Levine; Nov 7

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Degas Photographs: bringing together 35-40 photographs, most of which were made in the 1890s. Mainly figure studies, self-portraits and portraits of the artist's circle; to Jan 3

SAN FRANCISCO
OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfoopera.com
● Tristan und Isolde: by Wagner. Conducted by Donald Runnicles in a staging directed by Michael Hampe, designed by Mauro Pagano; Nov 6

STOCKHOLM
EXHIBITIONS
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● In Visible Light: Photography and Classification in Art, Science and the Everyday. Traces the evolution of photography from its anthropological and scientific applications in the late 19th century to works by artists including Andy Warhol and Cindy

Sherman; to Nov 15

WASHINGTON
OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
● Fedora: by Giordano. Conducted by Roberto Abbado. In a production by Lamberto Puggelli, directed here by David Edwards, and designed by Luisa Spinatelli. The cast is led by Mirella Freni and Plácido Domingo; Nov 4, 9

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13.30: Business Asia
19.30: World Business Today
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05.07; 06.07; 07.07; 08.20; 09.20; 10.20; 11.20; 11.32; 12.20; 13.20; 14.20.

At 08.20 Tanya Beckett of FTTV reports live from LFFE as the London market opens.

COMMENT & ANALYSIS



MARTIN WOLF

Currency vacuum

There is a gaping hole at the centre of the G7's plan to prevent a recurrence of the recent financial crisis

Frequent repetition of a financial crisis on the present scale would be quite intolerable. So even though they are still trying to put out the fire, policymakers must also do their best to prevent another conflagration.

To their credit, the finance ministers and central bank governors of the Group of Seven leading industrial countries made a serious attempt last week. Their declaration reflected the efforts of Gordon Brown, chairman of the G7 finance ministers this year, and built upon three reports from the Group of 22 "systemically significant economies".

The resulting agenda is sensible. It includes increasing the transparency and openness of the international financial system; enhancing stability, particularly through more effective regulation; and improving ways to respond to crises, particularly through orderly workout arrangements, better insolvency regimes and lending into arrears by the International Monetary Fund. Nevertheless, the recommendations seem both too ambitious and not ambitious enough: they contain a dauntingly wide range of complex and intractable reforms, but they still do not tackle a central question, that of exchange rate regimes.

The questions raised by global financial instability are as many and interwoven as the Gordian knot; leaders must cut through it. The sharpest sword they have is advice on exchange rates. Emerging markets should be encouraged to adopt either of two extremes - either fairly freely floating regimes or robust currency boards, which fix a currency to an anchor, usually the dollar.

Yet all the G7 declaration calls for is "consideration of the elements necessary for the maintenance of sustainable exchange rate regimes in emerging markets, including consistent macroeconomic policies". Even in the G22 report on crisis prevention and management, less than two pages of the 42 are devoted to exchange rate regimes. This is Hamlet without the prince.

Exchange rate regimes matter. To understand why, one must start with the frightening number of banking crises and no less impressive number of currency crises over the last two decades. Bad though these are when separate, maximum devastation occurs when they arrive together, as happened in Chile in the early 1980s, Mexico in the mid-1990s and Thailand, Indonesia and South Korea last year.

The fiscal costs of such banking crises can range from 20 per cent to 40 per cent of gross domestic product. But a currency crisis imposes the additional

trauma of a forced external adjustment. Even the IMF's relatively optimistic forecasts suggests that the four most affected Asian economies will regain 1997 levels of GDP only by 2001. Four lost years must be the least bad outcome to be expected.

Contrast that with Japan today or the UK in 1992. Japan has a banking crisis, but there is no constraint on its ability to provide cheap money and fiscal expansion at home. Britain suffered a currency crisis, but devaluation allowed lower interest rates and a swift return to growth. Neither has suffered anything like the trauma of the crisis-hit emerging countries.

The explanation is that the UK and Japan had no significant foreign-currency debt. Large quantities of foreign currency debt, unmatched by foreign currency assets of equivalent size and maturity, guarantee that a currency crisis will cause a banking collapse, and vice versa. Once the exchange rate falls, borrowers,

particularly banks, will find their liabilities rising in value against their assets. Similarly, if the financial system begins to look in firm, foreign creditors will take their money out, thereby creating a currency crisis.

There is also a close connection between the size of foreign currency debt, exchange rate regimes and a currency crisis. That connection is a fixed exchange rate. Suppose the authorities have kept their currency pegged to an anchor over a lengthy period. Naturally, some borrowers treat borrowing in foreign currency as no different from borrowing in domestic currency. Similarly, some lenders begin to think their investments are protected against exchange risk.

This is a recipe for huge capital inflows and large current account deficits. Should the government wish to limit the expansionary effects on domestic credit, by raising domestic interest rates, the incentive to borrow in foreign currency will increase. As foreign debt piles up, domestic credit expands and the economy overheats. A crisis of confidence becomes inevitable and the country finds itself buried under the rubble of banking and currency collapses.

There are three ways for a country to minimise the danger: regulatory, prudential and market-based. The regulatory solution is to create a healthy and well-capitalised banking system, while curbing foreign currency mismatches and perhaps imposing permanent curbs or taxes on debt-creating inflows of foreign currency. The prudential solution is to accumulate sizeable foreign exchange reserves or contingent lines of foreign credit. The market solution is a floating exchange rate.

With a floating exchange rate, foreign currency risk is an abiding presence. Floating rates economise on what emerging markets lack - honest, effective and public-spirited regulation. Regulation will still be needed, but its defects should be less disastrous. Floating exchange rates also economise on international lender-of-last

resort facilities. Indeed, the principal G7 suggestion for dealing with contagion, the "contingent short-term line of credit" is, in practice, largely needed to stabilise pegged exchange rate regimes, such as that now in Brazil. Under floating exchange rates, external funds may still occasionally be required to halt collapses in the rate, but these are likely to be more infrequent and less dramatic than when an established peg is broken.

The G7's silence on exchange rate regimes is understandable, since the topic is so controversial. But it is a mistake. The choices should be debated now.

First, countries can continue to operate adjustable-peg or other tightly managed regimes, but they will then need tough regulation of the financial system and, in all probability, control over capital flows as well. There may also need to be large-scale contingent external assistance, in the form of funds available to prevent, cushion, or halt currency collapses.

Second, countries can adopt fully fixed exchange rates, such as Argentina's currency board. This can work, but it demands a liquidity policy for both the banking system and the country, with large reserves, not just to back narrow money, but to support the banking system through panic. Flexible nominal prices and wages will be needed. So may external contingency funds. There are valid arguments for choosing this option: the country may feel politically unable to develop a credible, domestic monetary regime; alternatively, it may fear the destabilising fluctuations in real exchange rates that accompany a float. But it remains a huge gamble.

Finally, countries can float. Some of the need for regulation under adjustable pegs will then be taken care of automatically, via market forces. True, floating rates may also demand foreign currency support in a world crisis, but less than if a peg is to be defended. Floating exchange rates are the worst possible system - except for all the others.

Martin Wolf@FT.com

LETTERS TO THE EDITOR

Potential fault lines in G7 plan for fund to help vulnerable economies

From Mr Guy Standing.

Sir, The Group of Seven leading industrial nations plan to set up a contingency fund for the International Monetary Fund to provide short-term loans to countries facing financial crisis as long as they are following "sound policies" must be subject to transparent scrutiny before it becomes part of the new orthodoxy ("G7 backs plan to help vulnerable economies", October 31). The plan might suffer from four types of error.

The first is that it could result in the IMF giving to countries unnecessarily in the erroneous belief that a crisis is coming. There is a moral hazard in that a country might have an interest in encouraging the IMF to believe it needs aid.

The second arises from not giving to a country facing a

crisis because the IMF has not seen the signals. The record is not encouraging. Presumably the G7 are satisfied that the future will be better. The IMF set up an "early warning system" after the Mexican peso collapse of 1995, which neither the IMF nor other financial agencies predicted. The IMF's World Economic Outlook of mid-1997 claimed that the east Asian economies were doing well; that July the Thai baht crashed and the rest is history. Did the IMF predict the Czech devaluation in 1997 or the recent Russian debacle?

The third type of error is that what the IMF believes are "sound policies" may not be sound. If they were, then why is the country in a mess? One can see ways round this, but it requires some mental juggling.

The fourth error is that

what the IMF designates as sound are not appropriate. The World Bank's chief economist has been writing papers criticising the "Washington consensus", which lies behind the IMF policies. Others have been doing so for years. Countries adopting IMF structural adjustment plans have experienced stagnant per capita incomes long afterwards. Some economists believe stagnant real incomes are indicative of unsound policies.

The IMF may be the best there is, and may be right. However, transparent debate is needed, involving more than the usual participants in Washington and Cambridge, Mass.

Guy Standing,
20 ch. Champaign,
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Geneva, Switzerland

Convention for quoting euro/sterling rates

From Mr Simon Hills.

Sir, Alan Beattie's article (Business and the euro: "New horizons for forex traders", October 29) on the impact of the euro on the foreign exchange markets rightly identifies that the issue of how sterling should be quoted in the interbank foreign exchange markets in London remains unresolved. Individual dealer inertia

may have played a part.

The position of the British Bankers' Association is that euro/sterling rates should be quoted on a certain for uncertain basis, that is, £1/\$0.71. It is actively promoting the adoption of this convention which mainland European trading centres have already decided to follow.

London trading banks

should do so too. This will minimise the risk of error and confusion and ensure that London becomes the focus of trading in the euro.

Simon Hills,
director,
British Bankers' Association,
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Independent political thinking endangered

From Mr Peter Ford.

Sir, Voting reforms proposed by Lord Jenkins are undemocratic, and should be rejected ("Blair at odds with cabinet members after backing reform", October 30).

It is unlikely the average voter will understand the system proposed. It may be intellectually clever, but this is a fundamental flaw. The

ensuing confusion is likely to be further exacerbated by the use of several different, and equally complex, voting systems for different elections, for example, London mayor assembly, MEP elections, local council elections.

The use of "party lists", even on a partial basis, represents a move away from the individual voter being

able to decide who they want to represent them, and towards putting more power into the hands of political parties. This further reduces the likelihood that we will have independently minded political representatives.

Peter Ford,
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FRESHFIELDS

FINANCIAL TIMES

No FT, no comment.

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FT INTERVIEW COR BOONSTRA

Trying to make it better

The president of Philips tells Gordon Cramb that the US, the scene of his biggest setback, is also the market which matters most to his company's future

By Cor Boonstra's left hand are four boxes of aspirin. He still suffers from what was a "horrible" slipped disc, though he says his back is "not bad" now.

His words could describe Philips's experiences since he took over as president two years ago. Europe's largest consumer electronics group is on course to match but not to exceed the record F13.29bn (£1.05bn) net profits from operations achieved for 1997. Its resilience in the face of weakening markets has been helped by Mr Boonstra's drive to fix, close or sell businesses he deemed were underperforming or peripheral.

Gone are investments in Germany's Gerdag, in car audio and in European cable television. Factories are being closed at an astonishing rate (one-third will shut in four years). Next out of the door is PolyGram, the music and films subsidiary being sold to Seagram of Canada. What remains is a sharper electronics hardware operation aiming to secure its place in a sector which Mr Boonstra calls a "toy store" of opportunities.

He contrasts it with his former job at Sara Lee of the US, where he had to persuade American consumers to drink just a little more coffee and deal with a consequence of dress-down office Fridays (which meant women were spending 15 per cent less on fights).

"Electronics are fantastic growth products. Even television sets are growing by a pace which is far beyond my experience in the food and apparel industry. There are still 130m television sets sold per year in the world market - that is close to the number of personal computers being sold."

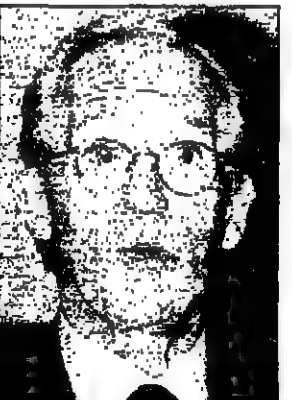
The Dutch group is a world leader in electronic goods from colour picture tubes to shavers, as well as in lighting. A division Mr Boonstra headed after joining Philips in 1994. Two years later he became only the 10th president in its 107-year history, and the first who had not spent almost his entire career with the company.



Boonstra: 'Building a brand name takes 10 or 20 years'



Cramb



Boonstra

He moved its management from the staid Dutch city of Eindhoven to Amsterdam, maintaining that the move would help Philips attract international talent: most of all, the marketing professionals closest to his heart. After overseeing the group's first global advertising campaign ("Let's make things better"), he authorised a 30 per cent increase in the media budget this year for the US, the market where he most wants growth.

US consumer awareness of Philips has improved - all that can be expected for now. "Building a brand name is a job which takes 10 or 20 years. It is not something you do by putting one shot in the arm," he says.

The US has also been the scene of Mr Boonstra's biggest setback. A year-old joint venture in telephone handsets with Lucent Technologies was unwound last month at a cost to the Dutch group of about F1bn. The project went wrong because of delays with semiconductor design.

The tie-up was intended to give Philips access to the US market for mobile phone handsets, which follow the US preferred standard CDMA. The GSM system used in Europe and elsewhere is available in many US cities but CDMA is likely to prevail. Philips says it will instead settle for a top five position among GSM suppliers, retreating from its head-on challenge to Nokia, Motorola and Ericsson. "We were overcome by enthusiasm," says Mr Boonstra. Lucent was less committed

than he thought, he said, and the venture was running six months late with a mobile product for the US. "You should not declare victory before you start to create weapons. I believe that is where we really went wrong," he says.

The Amsterdam group has reinforced its US armoury by buying ATL Ultrasound, a maker of diagnostic imaging equipment for \$800m. As the first significant purchase authorised by Mr Boonstra as president, it serves as a brain-scan of his acquisition policy.

Describing himself as very cautious on takeovers, he says Seattle-based ATL is a "world leader, with fantastic management, a very good product and good technology. Tomorrow we would buy another company like that if we found one." He nominates semiconductors, lighting and the medical side as possible areas for further acquisitions.

"All our product divisions have the freedom to come with proposals, but they know we are very critical. We certainly look at the maturity of the product line... We need market growth potential if we acquire."

Now he is happy to.

"We want to play an important role in the TV-centric digital product arena and the products which surround that" in and away from the home, he says. Components and semiconductors underpin that, and activities across the company need to support the brand. In-house manufacturing will see products through their start-up phase, then "at a certain moment we will consider handing it over to other suppliers".

When will Mr Boonstra hand over? Aged 60, he will stay "as long as you folks do not give me the signal that it is time to leave". Parity, in just, the reply also indicates that he values external perceptions of how he is faring. Philips's share price, which he sees as an objective measure of performance, has halved since May.

That in part reflects a mobile phones fiasco from which Mr Boonstra seeks to distance himself. Latest in a series of departures is Doug Dunn, the Briton responsible for that venture, whom some had tipped as Philips' first non-Dutch president. Now, a decent amount of money is riding on another Dutchman: Roel Pieper, the 41-year-old former chief of Tandem Computers who joined six months ago.

Mr Boonstra says: "We at least try to be very frank in the organisation here in dealing with each other. He also makes clear he intends to stay until Philips' results improve further. That may mean his fellow directors need to watch their step."

Encouraging
Pyongyang

Wednesday November 4 1998

Blair's bridge to Europe

Encouraging Pyongyang

Hitherto, North Korea has negotiated with the rest of the world largely through blackmail. By threatening to develop nuclear

North Korea will never be easy to deal with. But encouragement should be given to the process of opening its economic doors. In return, it is reasonable to demand more civilised behaviour from Pyongyang. But the very fact of being more integrated into the outside world should help ensure that process.

There is a whiff of politics about the salt panic. The BJP and its rival Congress are head-to-head in three vital state elections this month - BJP-held Delhi and Rajasthan and Congress-ruled Madhya Pradesh. It's easy enough to plant rumours in India. Handy, too, just before a series of elections.

Russia's pretenders

As Yeltsin fades, a centre-left coalition is emerging as the country's main political force, says **John Thornhill**



He has good reason to seek such an alliance. Moderate party strategists argue that unless the Communists broaden their political base they will be doomed to perpetual opposition. Although the party can count on a core of support - perhaps 20 per cent of the electorate - it cannot by itself win enough votes to claim the presidency. In the presidential elections in 1996, Mr Zyuganov conspicuously failed to win

OBSERVER

Shortage scare – with a pinch of salt

There is a whiff of politics about the salt panic. The BJP and its rival Congress are head-to-head in three vital state elections this month - BJP-held Delhi and Rajasthan and Congress-ruled Madhya Pradesh. It's easy enough to plant rumours in India. Handy, too, just before a series of elections.

The deal has raised a few eyebrows. Rather than buy in the market, Roche bought from Karl Nicklaus, Esec's 61-year-old founder, who appears to have overreached himself 18 months ago when he bought Rollic, another high-tech company, from Roche. Part of that deal is believed to have been backed by Nicklaus's controlling stake in Esec.

No one denies Müller's qualifications. She is Lafontaine's leading economic guru and helped him write a book about globalisation and employment this year. But is male-dominated Germany ready for a home-grown Hillary Clinton – especially one who attacks such

It's not hard to see why. Satellite phone market players need to raise hundreds of million dollars to fund their own systems. But share prices have been hit by investor doubts - particularly after Globalstar recently lost 12 satellites, a fifth of its total, in a rocket crash in Kazakhstan.

A poor start for Iridium, reckoned to be around 18 months ahead of competitors, would only further undermine confidence in a market yet to dial "s" for success.

Even so, compared with their opponents, the centre-left looks like a model of disciplined organisation. Grigory Yavlinsky, the leader of the liberal Yabloko party, has strong - though narrow - electoral appeal but seems disinclined to ally himself with anyone else. Alexander Lebed, the former general turned governor of Krasnoyarsk, is a great deal more popular, but his political views are more limited and his base cannot. Some of Russia's most powerful bankers even appear to be toying with the idea of running Nikita Mikhailkov, the handsome and staunchly anti-Communist film director and actor, who would, they believe, win the hearts and votes of every Russian woman.

That looks rather like a sign of desperation. Unless Russia's centre-left forces unite towards their own united platform in short order, they risk losing the argument about Russia's political future by default.

Financial Times

100 years ago

50 years ago

President Truman Re-elected
New York, Nov. 3. President Truman has won America's closest presidential election since 1916. This afternoon the Republican candidate, Mr. Dewey, conceded the election to Mr. Truman, declaring that Mr. Truman was sure to win an electoral college majority. Senator Alben W. Barkley becomes Vice-President.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

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FINANCIAL TIMES

WEDNESDAY NOVEMBER 4 1998

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THE LEX COLUMN

Stateship enterprise

Is enterprise replacing productivity as Gordon Brown's favourite word? On yesterday's evidence, it looks a close run thing. When the UK finance minister first got a bee in his bonnet about productivity, such rhetoric would have been hard to predict. But it is no less healthy for that. Though British industry can always be more efficient, the real challenge is not to grind down further on the cost base but to raise its aspirations.

Peter Mandelson, trade and industry secretary, is an even more convincing advocate of this message. "We need a revolution in ambition - for the real weakness in this country is a lack of ambition compounded by [an] attitude to wealth creation that borders on the apologetic," he said earlier this week.

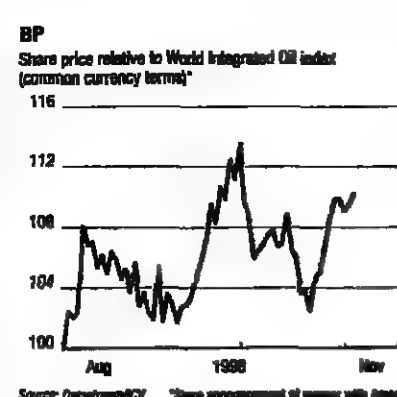
Just pause a moment. The liberal use of terms like enterprise, wealth creation and ambition shows how far the Labour party has travelled. One can, of course, take a cynical line. If the goal is enterprise, should not government just get out of business's hair?

To a large degree, yes. But, provided the guiding light is wealth creation, government can do modestly useful things. Indeed, the string of initiatives announced yesterday looks promising: a doubling of employee share ownership, establishing enterprise institutes in universities, pension fund democracy, a boost to venture capital and a review of bankruptcy law to reduce the stigma of failure. Moreover, the change in rhetoric - if consistent and sustained - will affect the cultural climate in which business operates. That is not to be sniffed at.

US M&A

Life is creeping back into the mergers and acquisitions market. US domestic deal volume increased to \$63bn last month, almost double September's lows, though still well below its spring peak when transactions sometimes topped \$100bn per week. Encouragingly, there has also been a return of \$1bn-plus deals, such as this week's \$3.8bn takeover of Sofamor Danek by fellow medical device maker Medtronic.

This resurgence correlates neatly with the rise in the stock market, which has gained 15 per cent since mid-September, helping to fuel a revival in managements'



confidence. Nevertheless, the character of M&A deals has started to change. In the current climate, companies are more willing to go hostile and more likely to use cash: 70 per cent of September's deals were for cash, against 30 per cent in the previous eight months. And although larger deals are making a comeback, there has not been a mega-merger since BP/Amoco nearly three months ago.

Many of the forces that have driven the M&A boom over the past three years remain in place. Consolidation in industries like media, banking and telecommunications has further to run. Most companies continue to experience sluggish top-line growth and pressure from shareholders to divest non-core operations. But it is worth remembering that it took seven years to surpass the peak volumes set in 1988. This year's record may prove similarly hard to beat.

British Petroleum

The bad times just keep on rolling for the oil industry. Nevertheless, yesterday's results from British Petroleum provided some cheer. A 35 per cent fall in third quarter profits may look disappointing against Exxon's 33 per cent drop and Eni's spirited 19 per cent rise, but is respectable in the context of the other majors. Profits at both Texaco and BP's merger partner, Amoco, fell by more than 50 per cent, and Shell's figures tomorrow are unlikely to make pretty reading either.

Volume growth and cost cutting, which have together boosted net income by

\$250m since the start of the year, have helped BP make a decent fist of a \$13 per barrel oil price. It remains on track to lift earnings by \$2bn by 2002. But it is the prospect of a juicy bonus for Sir John Browne, BP's chief executive, to chew on - in the form of Amoco's slacker cost base - that is driving BP's 21 per cent outperformance since the merger announcement.

With BP at a 30 per cent discount to Exxon on the basis of price/cash flow multiples for 2000, investors still need some convincing that just catching up with Exxon in size is sufficient to merit a re-rating. Next July's performance targets for the combined group will be the first real test.

Marks and Spencer

Britain's best retailer has suffered a fearful drubbing. Just when Marks and Spencer needed a fair wind to tide it over ambitious spending plans, the weather turned foul; Asia fell off the cliff and the pound stayed obstinately high. Overseas profits collapsed. But the last cut has been the cruellest - UK consumer spending has collapsed at a pace probably not seen in nearly 20 years. The upshot: first half profits fell 23 per cent, with no respite in sight. The shares are some 40 per cent below their 1997 peak.

For all that, Sir Richard Greenbury, chairman, was in decent mood yesterday. Yes, he is pulling every lever at his disposal to protect short-term profits. Yes, the company is rowing back on its capital spending plans. But no, there is no retreating on the ambition to be a global retailer, merely a slowing of the pace. Sir Richard is right to stick to his guns. M&S's strategy is correct in principle, even if the communication was ineffective. True, the company was too slow in responding to a market moving away from it, but this is easily enough set right.

Looking ahead, few companies can match M&S's strength in adversity - strong balance sheet, unique supplier relationships, high market share and low cost base. With the sector in such a dire state, there is no hurry to buy the shares, even after their recent fall. But if Christmas should mark a turn in fortunes, it may be time to buy.

Russia opposes attacks on Iraq over weapons dispute

By Our International Staff

Russia yesterday opposed the use of force to compel Iraq to comply with United Nations resolutions and said it would intensify diplomatic efforts to ensure Iraq co-operated with UN weapons inspectors.

The Russian calls for a peaceful resolution of the Iraqi crisis came as William Cohen, the US secretary of defence, arrived in the Gulf for talks with Arab allies over the dispute. He flew into Saudi Arabia yesterday after talks in London and Vienna, and is expected to head to Kuwait today.

Mr Cohen and George Robertson, the UK defence secretary, said the use of force was an option to punish Saddam Hussein, Iraq's president, and force him to reverse his block on weapons inspectors.

But Igor Ivanov, Russia's foreign minister, said on Russian television: "We will not allow a further escalation of tensions in the Persian Gulf. I continue to believe that peaceful means to solve this problem have not disappeared." The US has the

aircraft carrier Eisenhower and 20 other ships in or near the Gulf, with seven capable of firing long-range Tomahawk cruise missiles. It also has 174 aircraft in the area, according to the US defence department.

The US and UK were close to striking Iraq in February when Mr Saddam barred inspectors from visiting presidential sites. But the use of force was averted in a last-minute agreement between Iraq and Kofi Annan, the UN secretary-general.

Mr Saddam has essentially crippled the system of inspections by refusing to allow UN inspectors to enter the country. Only the International Atomic Energy Agency is allowed to continue monitoring and verification work, and sensors and cameras installed at sites by the UN will continue operating.

Despite US and UK threats this week, there were doubts about the willingness of the US to use force over what it calls a "flagrant violation of UN resolutions". This is because the two main US priorities in its policy toward Iraq are arguably being met. First, in the absence

of hard evidence to the contrary, Mr Saddam is being contained and poses no threat at the moment to Iraq's neighbours. Second, a rough sanctions regime remains in place.

With Russia, China and France sympathetic to the Iraqi position, Washington's priority is to show Mr Saddam the security council remains united in condemning his moves and the international community and Arab governments continue to demand that he complies with UN resolutions.

The security council, having unanimously condemned Iraq's ending of co-operation with UN weapons inspectors, was last night scheduled to start work on a follow-up resolution.

Britain proposed that the resolution demand the immediate, unconditional rescinding by Iraq of its decision to end co-operation.

But the proposal contained no mention of possible military action, and diplomats stressed that the immediate goal was to retain the support of Russia, France and China.

Bangkok to contract out city services in bid to beat pollution

By Ted Kautzke in Bangkok

Bangkok yesterday launched an ambitious plan to contract out city services worth considerably more than \$1bn to private companies in an attempt to combat the environmental problems in Asia's most polluted metropolis.

The Asian economic crisis has made it hard to raise funds for large infrastructure projects. But Bangkok has "tremendous environmental problems which the public services simply do not have the resources to deal with", said Bichit Rattakul, the city's governor.

Mr Bichit, elected two years ago on an environmentalist platform, said some contracts would be service agreements, with the city retaining custody of basic infrastructure. Others would be for private groups to build and own infrastructure.

Private companies will collect garbage from commercial buildings, hotels, shopping centres, apartment buildings and construction sites. They will be responsible for collect-

ing fees and will pass on the rubbish to one of three new treatment facilities, also to be owned and operated by the private sector.

The solid waste programme will cost at least \$134bn (\$825m). Implementation is scheduled to begin in the fourth quarter of next year.

For water treatment, the city will invite bids for operation and maintenance contracts for five city-owned treatment plants, four of which are still under construction. Future treatment plants will be built, owned and operated by the private sector.

Other areas opened up for the private sector include the building of flood-control channels, worth \$15.5bn, construction and operation of six parking garages worth at least \$1bn, service contracts to monitor and control air and noise pollution, and a \$370m elevated light-rail system that will act as a feeder line for a central city electric train project nearing completion.

Mr Bichit said soft loans and grants for some projects could be made available by the Japanese

Overseas Economic Co-operation Fund and the World Bank. The city was also exploring ways to provide partial guarantees for the debt of private sector companies that provide essential city services.

The history of private operations in Bangkok infrastructure and services is patchy. The private urban bus operator is losing money and deeply in debt. United Utilities, the UK water and power supplier, cancelled a contract with the Bangkok government earlier this year due to non-payment, although Thames Water of the UK has successfully completed a water supply system on the northern edge of Bangkok.

Part of the problem has been the lack of clarity in contracts with the private sector. Mr Bichit pledged to address this but said dealing with the city and government agencies "won't go along at the pace business is accustomed to... It will be difficult and hectic". Most private infrastructure developments in Thailand have been joint ventures between Thai and foreign companies.

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Iranian tanks prepare to attack a mock enemy at the end of war games near the Afghan border yesterday. Picture: Reuters

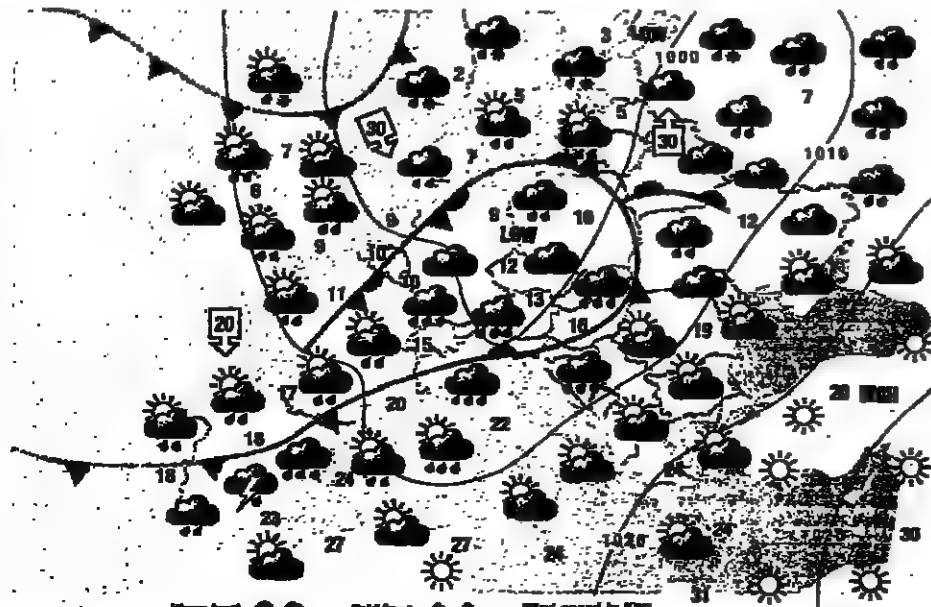
FT WEATHER GUIDE

Europe today

Bands of heavy rain will move south towards the Mediterranean and eastwards into Poland and western Russia. The south of France will have more widespread cloud and prolonged heavy rain. Heavy, thundery rain will also push across the Iberian Peninsula and northern Italy. Scandinavia will be cold and showery with fresh falls of snow over the mountains. In contrast, high pressure will bring hot sunshine to the eastern Mediterranean.

Five-day forecast

An area of high pressure will move eastwards from the Atlantic tomorrow and will then expand to cover much of western Europe bringing about a more settled spell for the rest of the week. Scandinavia will have a lot of showers. There will be further outbreaks of rain across the central and western Mediterranean.



Situation at midday. Temperatures maximum for day. Forecasts by FT WEATHER CENTRE

Location	Temp	Wind	Cloud	Precip	Location	Temp	Wind	Cloud	Precip
London	11	SW 12	Partly	0	Paris	12	SW 10	Partly	0
Birmingham	10	SW 10	Partly	0	Madrid	15	SW 10	Partly	0
Manchester	9	SW 10	Partly	0	Rome	16	SW 10	Partly	0
Edinburgh	8	SW 10	Partly	0	Stockholm	10	SW 10	Partly	0
Belfast	7	SW 10	Partly	0	Warsaw	12	SW 10	Partly	0
Cardiff	10	SW 10	Partly	0	Moscow	14	SW 10	Partly	0
Glasgow	9	SW 10	Partly	0	Peking	18	SW 10	Partly	0
Hull	8	SW 10	Partly	0	Tokyo	19	SW 10	Partly	0
Leeds	9	SW 10	Partly	0	Seoul	17	SW 10	Partly	0
Liverpool	9	SW 10	Partly	0	Beijing	18	SW 10	Partly	0
Newcastle	10	SW 10	Partly	0	Harbin	16	SW 10	Partly	0
Nottingham	10	SW 10	Partly	0	Qingdao	15	SW 10	Partly	0
Sheffield	9	SW 10	Partly	0	Shanghai	18	SW 10	Partly	0
Sunderland	10	SW 10	Partly	0	Hangzhou	17	SW 10	Partly	0
Swansea	9	SW 10	Partly	0	Nanjing	16	SW 10	Partly	0
Wolverhampton	10	SW 10	Partly	0	Wuhan	15	SW 10	Partly	0
Wrexham	8	SW 10	Partly	0	Xinjiang	14	SW 10	Partly	0

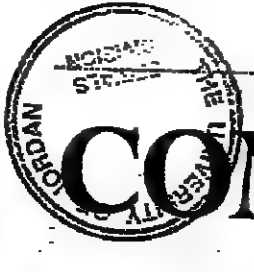
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COMPANIES & MARKETS

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INSIDE

Wall St dogs have their day

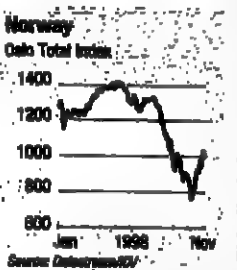


Some of the dogs of the US stock market have finally had their day. The remarkable 16 per cent bounce in the Standard & Poor's 500 index since the market touched bottom on 31 August has been characterised by the rebound of some chronically underperforming stocks. Gold and precious metals companies, drilling equipment companies and managed care providers are all up impressively. Page 18

BHP's diamond triumph in Canada

The opening of the Ekati diamond mine in remote northern Canada is a triumph for Broken Hill Proprietary, the Australian group. It has spent several years and US\$700m establishing the mine in a region with temperatures of minus 50 degrees Celsius while contending with the demands of native Indians. Page 28

Oslo makes record recovery



Oslo remains one of the stronger performing stock markets since European equities started to recover last month. Never before has the Norwegian share market risen so far in such a short space of time. Prices have increased on the back of positive economic news from abroad such as the refinancing plan for Japanese banks and the recent cuts in US interest rates as well as the improved oil price. Page 36

Russia welcomes De Beers deal

The cash-strapped Russian government welcomed a marketing agreement between Almazay Rossi-Sakha, the country's biggest uncut diamond producer, of which it owns 32 per cent, and South Africa's De Beers. Page 26

'Modern' Hyundai prepares future

Share prices for listed companies of Hyundai, South Korea's largest conglomerate, or chaebol, have fallen 33 per cent, the second worst performance among the nation's top five business groups. But Hyundai, which means "modern", may be the first big chaebol to streamline its industrial empire as it finds the Won7,600bn (\$5.78bn) it needs to absorb Kia, the insolvent Korean motor group. Page 21

Death of key figure in US gold

Bob Smith, vice-chairman of Barrick Gold, who died last week aged 66, was a key figure in the revival of North America's gold mining industry in the 1980s. Obituary, Page 28

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Nabisco shares show 20% surge

Speculation over possible sale of overseas tobacco business

By Richard Tomlinson in New York

Shares in RJR Nabisco, the US tobacco and food group, have surged by more than 20 per cent in recent days amid speculation that the company is about to sell or spin off RJR Reynolds International, its overseas tobacco business.

But RJR American Tobacco, the US-based cigarette maker regarded as the most likely buyer, yesterday sought to dampen speculation of a purchase, citing tax implications and other obstacles. RJR Nabisco declined to comment.

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Eurobond issues signal revival of investor demand

By Edward Lane and Khazem Merchant in London

The eurobond market has sprung back to life this week, having been effectively ruled out to all but the most highly rated borrowers since August.

The yield on the German 10-year bond has risen to 4.2 per cent from a low of 3.86 per cent in early October. The yield on the 30-year US Treasury bond has similarly risen to 5.2 per cent after touching a historic low of 4.77 per cent on 5 October. This indicates that investors have been moving out of the leading government bond markets and expressing more confidence in lower-rated securities, such as corporate bonds.

Some investors are remaining heavily in cash out of nervousness about the market, but there are enough investment funds returning to the mainstream bond markets to bring it back to life," said the head of bonds at one US bank in London.

The trend has been boosted by the high level of redemptions of existing corporate bonds in the last two months. When a bond matures, the investor receives the original principal which is then usually re-invested in new bond offerings.

There's a lot of cash sitting out there and spreads (risk premiums) are looking very attractive," said one trader.

The market revival has also been stimulated by buoyancy in the US domestic bond market.

Argentina yesterday launched a \$300m eurobond in a further sign of renewed investor demand. "The euro-bond market is open again," said Eamon McConnell, head of the bond syndicate at Deutsche Bank in London. "But we don't expect to see the return of the bull market."

Bankers attribute the revival in risk appetite to the stabilisation of international bond and equity markets in the last two weeks. The yields on the benchmark government bonds, such as German bunds, have risen markedly in the last fortnight, having been driven sharply downwards over the previous two months as a result of the investor flight to safety.

The yield on the German 10-year bond has risen to 4.2 per cent from a low of 3.86 per cent in early October. The yield on the 30-year US Treasury bond has similarly risen to 5.2 per cent after touching a historic low of 4.77 per cent on 5 October. This indicates that investors have been moving out of the leading government bond markets and expressing more confidence in lower-rated securities, such as corporate bonds.

Some investors are remaining heavily in cash out of nervousness about the market, but there are enough investment funds returning to the mainstream bond markets to bring it back to life," said the head of bonds at one US bank in London.

Kvaerner shares fall 15%

Troubled shipbuilder warns of weakened results

By Valeriu Stolid in Oslo

Shares in Kvaerner tumbled 15 per cent yesterday after the troubled Anglo-Norwegian engineering and shipbuilding conglomerate warned it expected a "significant weakening" in third-quarter results.

In the latest setback, the company blamed provisions for losses on some projects and write-downs of assets, based on a preliminary evaluation of the group's books by external auditors Arthur Andersen. Kvaerner also said operations had been affected by the overall weakness in its markets.

The warning came days after Kvaerner appointed Kjell Almskog, executive vice-president of Swiss-Swedish industrial group Asea Brown Boveri, as its new president and chief executive.

Mr Almskog will succeed Erik Tonseth, who was forced to step down last month after 10 years as chief executive, following a steep fall in profits. In the first half of this year, Kvaerner profits fell from Nkr640m (\$115m) to Nkr265m.

The overall weakening is not Kvaerner-specific problems, but general market problems," said Christian Bjelland, Kvaerner chairman and temporary chief executive, who declined to give any figures.

The asset write-downs will be on our assets on our books as well as shares in other companies," he added.

In Oslo, Kvaerner shares closed Nkr28.50 lower at Nkr164.50, wiping out many of the gains made since Mr Almskog's appointment. Shares were trading as low as Nkr76 before Mr Tonseth was ousted, compared with an all-time high of Nkr480 in August 1997.

Although Mr Almskog has not started work at Kvaerner, he will take part in further evaluations before third-quarter results on November 18.

Separately, Kvaerner said it had sold an 18 per cent stake in Western Bulk, the Norwegian shipping company, for less than Nkr40m, representing a loss of Nkr65m.



BARRY RILEY

Ominous symptoms of recession are apparent

Securities markets have been puzzling over how to adjust to the deceleration being suffered by the economies of Europe and North America. After the wild movements in the late summer, however, the markets have settled back into a mood of relative optimism. Crucially, government moves to stimulate are viewed positively rather than negatively as indications of a worsening economic environment.

The UK's economy, in particular, seems to be dropping off the metaphorical cliff, providing an uncomfortable background for yesterday's preliminary Budget statement. Although the historical statistics up to September appear solid enough, the inventory adjustment that typically triggers a recession now appears to have got under way. Opinion surveys from the Confederation of British Industry and the Purchasing Managers' Institute, at face value, appear as bad as that in the early 1990s: true, these surveys mainly relate only to manufacturing industry.

Continental Europe is also slowing sharply. US consumption remains the last powerful engine for the global economy, and it remains to be seen how it can avoid stalling as the balance of payments weakens and the dollar is destabilised. An inventory build-up is also evident in the

US. As always the markets are torn in two directions. Short-term interest rates have a long way yet to fall in the US and the UK. On the other hand, the fixed income markets may have to adjust to a greatly increased rate of issuance of government bonds over the next two years. As for equities, profits are going to be hit quite badly; ominously, yesterday's serious earnings setback for Marks and Spencer, the UK's top retailer, was the first since 1991.

The UK draft Budget gave a typical demonstration of how politicians react to the danger of an impending recession. First, they say a slowdown is a necessary evil in order to get back on to a long-term growth path. Secondly, their forecasters underestimate the severity of the cyclical decline.

The last recession had a tremendous financial impact. Net issuance of bonds by the G10 governments soared from \$160bn in 1988 to a peak of \$730bn in 1993, according to the latest statistical digest from Barclays Capital. During the year ended in June, after a long economic upswing, the total was down to \$365bn (excluding Japan, the decline was from \$80bn to \$160bn).

There are new constraints such as the euroland "stability pact" and the UK chancellor Gordon Brown's "golden rule", designed to prevent a similar debt explosion in future. But we can be confident that such

self-discipline would not survive the desperate prioritisation imposed by a significant recession.

Already the US Treasury long bond yield has risen from a low of 4.7 per cent to 5.2 per cent. Fears of a shortage of government bonds are waning. In the UK, pressure from regulators and actuaries on pension funds and life companies has caused them to keep on buying gilt-edged at some \$4.5bn (\$7.6bn) a quarter - well above the government's net issuance rate, creating a scarcity premium as other investors are flushed out by low yields. One consequence is the remarkable widening in corporate bond spreads. These effects will unwind in due course, however.

After wobbling, the psychology of the markets is generally positive. Equities have recovered strongly in the past month - by 17 per cent as measured by the FT/SE100. The buoyant market has encouraged one frustrated bear, Albert Edwards, global strategist at Dresner Kleinwort Benson, to construct a "dental indicator", which currently shows that stock market analysts in the US and Germany are the most guilty of turning a blind eye to economic reality.

Perhaps, indeed, co-ordinated stimulation by governments will head off a recession. But we should not count on it.

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COMPANIES & FINANCE: THE AMERICAS

Technology still best of breed but stock-market underdogs bark again

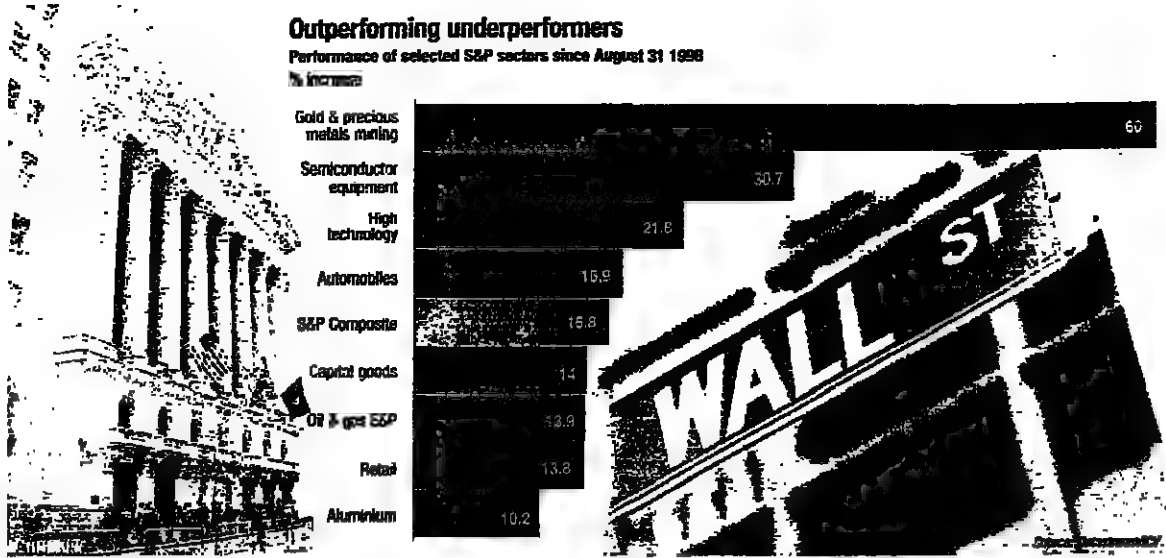
Long-underperforming shares have rebounded as US stocks rally, writes **Richard Waters**

Some of the dogs of the stock market have finally had their day. The remarkable 15.8 per cent bounce in the Standard & Poor's 500 index since the market touched bottom on August 31 has been characterised by the rebound of some chronically underperforming stocks. But it has also featured something far more familiar: the continued advance of the technology sector. With financial stocks also beginning to recover on hopes of further interest-rate cuts, the powerhouse of technology and finance, so dominant during the 1990s bull market, could yet return as the twin pillars of the latest stock-market rally.

Among the dogs, gold mining companies have held little attraction in an era when paper assets have become the investment of choice. Companies making off-shore drilling equipment have also suffered from slumping commodity prices. And managed healthcare providers, battered by a political onslaught over the declining quality of care and a series of management failures, have become stock market outcasts.

These perennial underperformers are among the companies which have bounced spectacularly in the past two months, as the US stock market has lurched its way through a powerful rally. A rebound in early September ran out of steam as fears spread that financial market turmoil would spill into the real economy. But the rally sparked by the second US interest-rate cut in early October, has proved more durable.

Gold and precious metals companies have risen about 80 per cent from the low point, while drilling equipment companies are up 33 per cent and managed care companies are 30 per cent ahead.



To a large extent, moves like these appear to reflect rebounds from very low valuation levels, rather than a belief that these sectors hold the key to the next leg of the stock market rally, according to Wall Street analysts.

While some argue that commodity stocks have reached a bottom - including Byron Wien at Morgan

Stanley Dean Witter - most still hold that Asia's troubles and a slowing global economy next year will keep the lid on any price rises.

Significantly, the gold, drilling and managed-care sectors have each underperformed the S&P 500 index by at least 10 per cent since the start of the year, despite their recent rallies.

Other commodity-based companies, or those in low-value-added industries that are vulnerable to global overcapacity, have experienced similar difficulties.

Besides a hunt for value, the recent rally has been characterised by a shift away from companies most vulnerable to a downturn in emerging market and

towards those deemed to have more reliable revenues, particularly from domestic sources. Coca-Cola is still nearly 20 per cent below its peak - but tobacco companies and telecommunications carriers have stormed ahead, thanks to a belief that their revenue growth is likely to remain resilient.

Meanwhile, two long-term

favourites of US investors remain high on many Wall Street analysts' recommended lists. "We thought [the fall in] the finance sector was overdone - and we still like technology," says Leah Modigliani, an analyst at Morgan Stanley.

Financial stocks are still well below their peaks. Merrill Lynch and Morgan Stanley, which are vulnerable to disruption in the financial markets, are more than a third short of their peaks, even though their share prices have jumped more than 50 per cent in less than a month.

Further US interest rate cuts would help to ease the high risk premiums that have crept into the credit markets and bring a positive tilt back to the US yield curve, says Jeffrey Applegate, US equity strategist at Lehman Brothers. Both of these would restore confidence in the financial sector.

Most technology companies had less ground to make up after August, and many have leapt to new heights. The sector's advance has come despite an expected slowdown in capital spend-

ing in the US as companies tighten their belts. Technology equipment, has accounted for a half of all capital investment in the boom years, according to Mr Applegate. He adds, though, that it is the other half - bricks and mortar and other types of equipment - that will bear the brunt of the spending cuts, and that consumer spending will offset some of the pain.

The technology sector - more specifically, the internet - has also provided some of the most spectacular recoveries of recent weeks. Two months ago, internet stocks were floundering amid concerns they had risen too far too fast.

That now look overdone. Both America Online and Amazon.com have returned to their July peaks this week: each company's shares have advanced at least two-thirds in value since the market bottomed. Yahoo!, meanwhile, has stormed to new records, nearly doubling in that time. "I can't find many companies on this planet growing at 60 per cent a year," said Mr Applegate.

Initial approval given in US for SangStat drug

By David Pillay, Pharmaceutical Correspondent

SangStat, a California transplant specialist, yesterday won the first US regulatory approval for a generic version of cyclosporine, an immunosuppressant that helps prevent rejection of transplanted organs.

SangStat will be sold at a 30 per cent discount to Novartis's Neoral, the top seller in the world \$1.3bn cyclosporine market.

Cyclosporine, Novartis's leading product, was developed from a fungus found in Norwegian soil.

Its launch in 1983 transformed the transplant market which had hitherto been plagued by organ rejection.

SangStat estimates that its compound, which must be taken for life by transplant patients, could save an

annual \$1,200 for each patient. There are about 350,000 organ recipients worldwide.

Daniel Vassella, chief executive of Novartis, said the fact that SangStat was in liquid, rather than capsule, form would blunt its challenge.

"I don't anticipate it will be a very rapid erosion of our business but... it is a clear signal that we have reached peak sales of [cyclosporine]," he said.

Philippe Pouletty, managing director of SangStat, which in October paid \$13m for the transplant division of France's Rhône-Poulenc, said the company hoped to move into profit 12 months after the launch of SangStat.

SangStat shares gained \$5.5 to \$26.4 at mid-day, while Novartis shares slid \$P23 to \$P24.75.

PDVSA details gas contract

By Raymond Collitt in Caracas

An international energy consortium won a 20-year contract to build, own, and operate a gas compression facility in eastern Venezuela. PDVSA (Petróleos de Venezuela), the state oil company announced yesterday.

The consortium is made up of El Paso Energy International, General Electric Capital Corporation, both of the US, and Nissio Ival of Japan.

The project, the largest of

its kind in the world, is to be completed by mid-2001 and will cost some \$400m, PDVSA said.

The plant is to produce 1.2bn cu ft of compressed gas a day, which will be injected into nearby oil fields to boost oil production levels.

This will permit the recovery of an additional 300m barrels of light crude oil from the Santa Barbara-Pirital area in the eastern state of Monagas, which boasts oil reserves of 8.8bn barrels, one of the largest fields in the country.

ABN Amro, Mellon in tie-up

By Jane Marinson, Investment Correspondent

Mellon Bank of the US and ABN Amro Bank of the Netherlands yesterday announced a global alliance to provide custody services around the world.

The joint marketing and servicing alliance, to be called ABN Amro Mellon Global Securities Services, covers assets worth more than \$3,500bn.

The bulk of these, or more than \$2,000bn, are managed or serviced by Mellon in the US.

The bank, which is based in Pittsburgh, is one of the

largest global custodians in the world.

Dan Wywoda, head of Mellon's global custody services in Europe, said the tie-up would provide the opportunity to improve and increase services outside the US. "ABN Amro is a world class organisation which is noted as a global bank," he said.

Mellon has pursued a strategy of alliances with local partners to further its global ambitions rather than direct takeovers. It already has a series of alliances with other financial organisations such as CIBC in Canada and Den Danske in the Nordic countries.

It also has separate alliances covering Spain and Portugal. None of these will be affected by yesterday's deal, which covers all other parts of the world.

Custody, long regarded as a relatively dull area of finance because of its low margins, has become much more desirable in the past few months.

Shares in the four banks with the heaviest concentration on custody businesses in the US - Bank of New York, Mellon, Northern Trust, and State Street - have all weathered the global financial storm of the past three months much

better than their peers. Between them they have outperformed the US banking sector as a whole by almost 12 per cent so far this year.

ABN Amro, which has total assets under custody of more than \$650bn, has an international network of 1,800 offices in 71 countries. It first entered the custody business 80 years ago.

Rijnhard van Twill, chairman of the bank's investment banking business, said: "This alliance underlines once again our commitment to meeting the evolving requirements of our key clients."

Store wars: Empire strikes back

Canadian supermarkets react to fears of expansion by US groups with acquisitions

By Scott Morrison in Toronto

It has been an unprecedented week in the Canadian food retail and distribution industry, where supermarkets have traditionally remained focused on their regional markets.

A trio of acquisitions over the past seven days has moved two groups closer to establishing a strong national presence.

The deals were in response to intensified competition within the industry, as growth in the Canadian food retail market has slowed.

The Canadian groups were also responding to concern that US retailers might expand into Canada, and analysts noted that stock valuation differentials made it an opportune time for some groups to strike.

On Monday, Empire agreed to acquire the rival Oshawa for C\$1.5bn (US\$974m) in cash and shares. That would establish Empire's Sobey's chain as the second largest Canadian food retailer and distributor, with annual revenues of about C\$10bn.

The transaction was announced only days after Loblaw, the nation's top supermarket group, offered to acquire Provigo, the largest Quebec chain, for C\$1.8bn. This deal would extend Loblaw's national reach and give it annual revenues of C\$17bn.

Wal-Mart is testing the sector in Canada by establishing food sections at three Ontario stores.

Loblaw further strengthened its position on Monday afternoon by agreeing to acquire Oshawa's outlets in eastern Canada. Empire and Sobey's moved to divest those assets because it was likely the combination of their Atlantic Canada outlets would likely have been frowned upon by the federal

competition authorities.

These recent transactions have established three top food retailers and distributors in Canada. US-owned Safeway, the other major food retailer, has a strong presence in western Canada, but it is not clear whether it has plans to expand eastwards.

The three groups are having to battle for market share and higher returns even though nominal growth in the sector has slowed to less than 3 per cent, roughly equivalent to Canada's inflation rate and its population increase. A renewed trend towards dining out has further challenged grocers.

Merging operations provides food retail and distribution groups with a number of cost-saving synergies, such as increased purchasing power and reduced overhead and distribution expenses.

Furthermore, larger groups are better positioned to finance the capital expenditure needed to upgrade stores and install the latest technologies.

The flurry of Canadian

acquisitions has been also spurred by consolidation among US food retailers. Kroger, the US supermarket group, said recently it would acquire the rival Fred Meyer for US\$11.8bn to regain its standing as the nation's largest supermarket chain.

Safeway and Albertson, the second and third largest supermarket chains in the US, have also moved aggressively to expand over the past year.

The threat to US grocers has come from mass retailers such as Wal-Mart and, to a lesser extent, K-Mart, as they move into food sales. Wal-Mart is testing the sector in Canada by establishing food sections at three Ontario stores. The potential threat from Wal-Mart and possibly the US supermarket chains has Canadian food retailers looking over their shoulders as they attempt to strengthen their market position.

"It's just a matter of time before [the US chains] look to Canada and that is a scary thought [for Canadian supermarket groups]," said one industry analyst.

NEWS DIGEST

PROPERTY

TrizecHahn cash flow rises on rental income

TrizecHahn, the Canadian real estate group, reported a 52 per cent rise in cash flow in the third quarter on the strength of rapidly growing rental income from its expanding portfolio of US office buildings. Rental income from office properties, two-thirds in the US, rose 80 per cent over the corresponding period to US\$119m as occupancy and rental rates both increased.

Operating cash flow per share of 43 cents was in line with analysts' expectations, up from 30 cents in the third quarter of 1997. Trizec shares were trading down 25 cents at C\$29.55 at mid-day.

Trizec has nearly completed an ambitious overhaul in which it has sold 17 retail properties for \$2.1bn, generating net profits of about \$1bn, and has embarked on aggressive acquisitions of office complexes in the US. In addition, the company opened a European headquarters in London in September and is planning to build as many as 10 huge US-style shopping and entertainment complexes. It is working on three projects - one each in Hungary, Czech Republic and Spain. The company also has plans to invest about \$500m in Europe in the next two years.

In the last financial quarter, Trizec bought \$450m in US office properties, bringing its acquisition expenditure in the year to date to \$1.6bn. The company said another \$750m in acquisitions is under active negotiation.

Edward Alden, Toronto

FASHION

Low demand hits Donna Karan

Donna Karan, the New York fashion house, yesterday warned that its 1998 profits might fall below expectations because of the downturn in demand from Asia and a fall in athletic shoe sales. The company, which has had a tough time since floating 18 months ago on the New York Stock Exchange, is now being restructured under John Idol, a former Ralph Lauren executive who was recently appointed chief executive officer. Karan also reported a steep increase in net income yesterday to \$7.5m in the three months to September 27 from \$923,000 in the same period last year.

Net revenue fell to \$170.57m (\$214.87m) during the third quarter, principally because of the decision to license beauty products to the Estée Lauder group and its DKNY jeans operation to Liz Claiborne, the US clothing company. Cost-cutting triggered a reduction in general expenses to \$35.7m (\$64.41m) and operating profits rose sharply to \$14.52m (\$2.38m).

Net income per share also showed a strong increase to 35 cents (4 cents). Karan's profits warning reflects the general unease in the designer fashion market. Isaac Mizrahi, another well-known US fashion designer, recently closed his business and Todd Oldham is scaling down his company. Alice Rawsthorn

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November 3, 1998 CREDITRANK, N.A., Agent

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MONTHLY AVERAGES OF STOCK INDICES				
	October	September	August	July
FTSE Actuaries Indices				
FTSE 100	6083.8	5171.9	15555.8	5867.2
FTSE 250	4516.2	4657.9	5173.4	5596.9
FTSE 350	2417.2	2472.6	2672.0	2891.5
FTSE Non-Financial	2415.68	2480.53	2658.80	2853.68
FTSE Financial Group	4319.56	4410.37	4914.36	5520.05
FTSE All-Share	2337.61	2387.79	2597.88	2804.20
FTSE Europe 100	2286.27	2419.84	2717.92	2977.11
FTSE Europe 300	987.24	1051.70	1181.01	1288.61
FTSE/A World Index	260.34	258.06	273.33	267.88
FTSE Indices				
FT 100 Securities	111.32	110.10	106.55	104.97
FT 30	149.65	149.88	145.23	143.54
FT 30	3043.2	3199.9	3559.2	3872.5
FTSE Global Indices	1137.15	957.91	845.85	979.96
SEAO Bargains (5.00pm)	63.039	61.844	58.484	61.998
Highest close Oct Lowest close Oct				
FTSE 100	6358.2 30th	4648.7 5th		
FTSE 250	4811.4 30th	4251.2 8th		
FTSE 350	2692.4 30th	2231.5 5th		
FTSE All-Share	2504.85 30th	2156.07 5th		
FT 30	3320.8 30th	2806.8 5th		

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PROPERTY

1. The first step in the process of the investigation is the identification of the problem. This is done by the investigator who is responsible for the investigation. The investigator must identify the problem and the scope of the investigation.

2. The second step is the collection of data. This is done by the investigator who is responsible for the investigation. The investigator must collect data that is relevant to the problem.

3. The third step is the analysis of the data. This is done by the investigator who is responsible for the investigation. The investigator must analyze the data to determine the cause of the problem.

4. The fourth step is the development of a solution. This is done by the investigator who is responsible for the investigation. The investigator must develop a solution that addresses the problem.

5. The fifth step is the implementation of the solution. This is done by the investigator who is responsible for the investigation. The investigator must implement the solution and monitor its effectiveness.

6. The sixth step is the evaluation of the solution. This is done by the investigator who is responsible for the investigation. The investigator must evaluate the solution to determine if it has been successful.

7. The seventh step is the documentation of the investigation. This is done by the investigator who is responsible for the investigation. The investigator must document the investigation and the results of the investigation.

8. The eighth step is the communication of the results. This is done by the investigator who is responsible for the investigation. The investigator must communicate the results of the investigation to the appropriate parties.

9. The ninth step is the review of the investigation. This is done by the investigator who is responsible for the investigation. The investigator must review the investigation to determine if it was successful.

10. The tenth step is the conclusion of the investigation. This is done by the investigator who is responsible for the investigation. The investigator must conclude the investigation and report the results.

Inter-Departmental Info: Donna K

1. The first step in the process is to identify the problem. This involves gathering information about the situation and the people involved.

2. Once the problem is identified, the next step is to analyze it. This involves breaking the problem down into its component parts and understanding how they are related.

3. After analyzing the problem, the next step is to develop a plan. This involves deciding on the best way to solve the problem and outlining the steps that need to be taken.

4. The final step in the process is to implement the plan. This involves putting the plan into action and monitoring the progress.

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SCANDINAVIA LEADING COMPANIES SEE FLAT OR FALLING PROFITS AS STEEL PRICES DROP

Lower demand threatens engineering groups

By Tim Burt in Stockholm

Three of the Nordic region's leading engineering companies yesterday warned that weakening international demand and intense price pressures would lead to flat or falling profits this year.

Avesta Sheffield, the Anglo-Swedish stainless steel manufacturer, and Sandvik, the Swedish tool-maker and specialist steel group, said historically low steel prices and the financial crisis in Asia had held back their performance this year.

Rauma, the Finnish engineering equipment company, said it had been hit by falling deliveries and customer nervousness.

Avesta Sheffield was the worst affected. The company, majority-owned by British Steel, yesterday reported a SKr515m (\$45m) loss for the six months to September 30 - compared with a profit of SKr91m last time - as sales fell from SKr9.2bn to SKr8.4bn.

The company earlier this year announced more than 1,100 job cuts in a restructuring

aimed at reversing the losses. But Stuart Pettifor, chief executive, said the cost-cutting would not offset lower volumes and continued price pressures in the second half.

"The market and the results show that something has got to happen to improve costs and productivity," he said.

Since the summer, falling raw material costs have undermined steel prices, although Mr Pettifor said there were signs of stabilisation.

At the operating level, Avesta reported a SKr251m half-year loss, against a SKr387m gain last time. Losses per share were SKr3.30, against SKr0.83.

Its first-half figures were hit by a SKr175m drop in stock values and a SKr17m charge for mothballing its Baltimore mill shop.

Sandvik reported flat pre-tax profits of SKr1.1bn for the first nine months of the year, even though sales rose 33 per cent from SKr23.4bn to SKr31.3bn.

Like Avesta, it said the

business climate had declined faster than expected, particularly in Latin America, Asia and Africa.

Sandvik's most commonly traded B-shares fell SKr11.50 to SKr150 after it warned full-year profits would be lower than expected.

In Helsinki, shares in Rauma fell FM1.90 to FM56.50 after it described third-quarter demand as no more than moderate and said deliveries were falling.

It saw third-quarter operating profits fall 17 per cent from FM167m to FM139m

(\$27.7m), but the company said it would be protected from severe order volatility in the full year by its spares and maintenance activities.

Shares in Avesta Sheffield rose by SKr2.30 to SKr22.40 after Mr Pettifor predicted more emphasis on cost cuts and cash generation.

"Excluding closure costs and inventory losses, our underlying results are a bit better and we have generated cash," he added. "But the outlook for the second half is worse and volumes are down."

Russia impact pushes SEB to quarterly loss

By Tim Burt

SEB, the financial flagship of Sweden's Wallenberg business empire, yesterday announced a third-quarter loss of SKr1.37bn (\$176m) after taking heavy provisions for possible lending losses in Russia.

The bank, formerly known as Skandinaviska Enskilda Banken, said it had been hit by stock market volatility, which contributed to a SKr655m loss on financial transactions in the three months to September 30.

Although third-quarter interest income rose from SKr7.35bn to SKr7.74bn year-on-year, improvements in retail banking were more than wiped out by loan loss provisions, weakening share prices and falling insurance income.

"Financial unrest in the world has affected SEB negatively," said Lars Thunell, chief executive.

"As a result of the situation in Russia we have made provisions for lending losses. The stock market decline has also had a negative impact on our result in several areas."

Mr Thunell was speaking after SEB announced a SKr1.4bn provision for possible loan losses in Russia, where its total exposure is estimated at about SKr2bn.

Mr Thunell, formerly chief executive of Trygg-Hansa, the insurer, said the worsening economic outlook had persuaded the bank to reduce its exposure to emerging markets.

"Russia's economic situation does not seem to be brightening and great uncertainty prevails as to what policy that country is about to pursue," he said. "Recession in several economies in south-east Asia has not yet bottomed out and political unrest remains."

During the first nine months of the year, that uncertainty prompted SEB to cut its emerging market exposure by 40 per cent to SKr28.5bn.

Mr Thunell - who became SEB chief executive following the bank's SKr17bn takeover of Trygg-Hansa last year - said the figures were further undermined by reduced net interest earnings.

Together, such factors helped reduce group profits by 32 per cent from SKr6.35bn to SKr4.23bn in the nine months to September 30, even though interest receivable rose 10 per cent to SKr28.8bn.

The decline was partly offset by strong commission income - particularly in the first two quarters - and one-off capital gains on property and non-core disposals, coupled to hedging operations on the securities portfolio.

Mr Thunell said the bank was also beginning to see results from the integration of SEB and Trygg-Hansa, and emphasised that growth in operating costs was slowing.

Of the main operating businesses, he added that profitability remained good in retail banking. But the results in asset management, life products and Enskilda Securities had been adversely affected by falling stock prices.

SEB merchant banking, moreover, posted a loss of SKr156m compared with a gain last time of SKr1.64bn, mainly because of the Russian provisions.

Nine-month earnings per share fell from SKr6.78 to SKr4.77.

SEB's most commonly traded A shares, down almost 40 per cent in the past three months, fell SKr1 to SKr3.

German bank seeks reunification spirit

A feud at HypoVereinsbank is threatening its image, writes Tony Barber

By the decorous standards of German business culture, few disputes have been so raw and public as that being fought out at the highest levels of Bayerische HypoVereinsbank, the nation's second largest bank.

The quarrel, which ostensibly centres on property deals of uncertain value in former communist eastern Germany, needs to be patched up soon if the image of the newly-merged Munich bank is to avoid lasting damage, executives say.

More broadly, they say, failure to settle the dispute quickly would send a signal that even a simple restructuring of Germany's banking sector, such as the HypoVereinsbank merger, can bring unexpected problems.

The dispute might never have reached such proportions had it not thrown together two bankers who had known each other for 30 years.

The deal they struck in July 1997 remains Germany's biggest bank merger, having created an institution with 40,000 employees and total assets of DM860bn (\$519bn).

On one side is Albrecht Schmidt, the thoughtful, music-loving chairman of HypoVereinsbank, who lived in the eastern German city of Leipzig until he was 16.

On the other is Eberhard Martin, an exuberant, cigar-smoking Bavarian and member of the bank's supervisory board. Before the merger, Mr Schmidt was the chief of Veritasbank and Mr Martin the slightly smaller Hypo-Bank.

The dispute erupted in public last week when Mr Schmidt announced that HypoVereinsbank was raising its risk provisions by DM3.5bn to take account of overvaluations of property projects in east Berlin and former communist cities.

Declaring himself "deeply shocked at mistakes of this magnitude", he pointed the finger of blame at former



Mud-slingers in chief: Albrecht Schmidt (left) and Eberhard Martin of the newly merged bank

Hypo-Bank officials and promised that heads would roll. He also said data protection laws had prevented him and other former Veritasbank staff from uncovering the alleged problems until September 1, when the merger became official.

Hearing this tale unfold, Mr Martin's response was, if anything, even more blunt than Mr Schmidt's accusation. "Complete nonsense... Schmidt has dragged my professional existence through the mud," he seethed. "Schmidt's character is consumed with vanity. A man like that can't run a bank."

By last weekend, concern at the public mud-slinging was growing at the offices of HypoVereinsbank's most influential shareholders, Allianz. At the least, this giant Munich-based insurer wanted to calm tempers and re-establish contact between Mr Schmidt and Mr Martin.

The chairman of HypoVereinsbank's supervisory board, Klaus Götze, on Monday promised to hold an extraordinary meeting to look into the disputed risk provisions and end the controversy once and for all.

As former head of Hypo-Bank's supervisory board, Mr Götze has a clear interest in defending himself and his former Hypo colleagues against accusations of negligence. The view among former Hypo-Bank officials is that Mr Schmidt went too far in levelling such serious charges against them without providing what impartial experts might have viewed as supporting evidence.

Noting that Hypo-Bank had set aside DM1.5bn last year in provisions for the property projects, Mr Schmidt said both the bank's supervisory board and independent accountants had approved this amount.

Former Hypo officials suggested it was inconceivable that neither internal Hypo-Bank experts nor independent accountants could have appreciated the need for extra provisions to the tune of DM3.5bn.

Their implication was that there had never, in fact, been such a need, and that Mr Schmidt might have had other motives for making his announcement last week.

Whatever the scale of the problems, they have been overshadowed by the sheer acrimony of the dispute between Mr Schmidt's supporters and Mr Martin's camp.

All is far from lost: in many ways, the Munich-based bank has weathered this year's hedge fund and emerging markets storms more successfully than its Frankfurt rivals, Deutsche Bank, Dresdner and Commerzbank. Increasingly, however, it seems that only a top-level showdown will resolve the crisis at HypoVereinsbank.

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NEWS DIGEST

ITALY

Olivetti chief's alliance builds 8% stake

Roberto Colaninno, chief executive of Olivetti, has assembled a new group of core investors that has accumulated the single largest stake - 8 per cent - in the Italian telecommunications and information technology group, paying between L1,000bn-L1,500bn (\$911m-\$916m). Olivetti last night confirmed that a new Luxembourg-based company called Bell had bought an 8.02 per cent stake in Olivetti and intended to increase this holding to 10 per cent. The shareholders of the new company include Mr Colaninno, Chase Manhattan bank, a group of northern Italian businessmen, the Banca Popolare Antonveneta and Interbanca, a Milan merchant bank.

Large blocks of Olivetti shares amounting to about 5 per cent of the company's equity capital, were traded yesterday in part related to the stake-building by the new Luxembourg-based company. The Italian partners in Bell have grouped themselves in a company called Fingruppo, with a 46 per cent stake in the Luxembourg-based venture. Mr Colaninno, who has been the architect of Olivetti's turnaround, is also chairman of Fingruppo and owns a 15.7 per cent stake.

A central part of Mr Colaninno's recovery strategy was to negotiate a strategic partnership with Mannesmann. The German group owns a 2.3 per cent stake in Olivetti and a 49 per cent stake in Olimpia, the Olivetti subsidiary that controls the company's fast growing mobile and fixed-line telecoms activities. Olivetti insisted last night that Mr Colaninno's joint investment with a group of new shareholders for the single largest stake in the company was in no way hostile to Mannesmann. Paul Betts, Milan

ENGINEERING

Siemens to restructure

Siemens will today unveil a wide-ranging restructuring, which may include deep job cuts, in an attempt to stem losses in the German electronics and electrical engineering group. Heinrich von Plerer, chief executive, will end months of speculation by giving details of a long-promised "10-point plan" to put Siemens on a firmer footing. The programme is likely to include the sale or separate listing of underperforming units and a commitment to improving return on capital.

In June, Mr von Plerer publicly identified problems in several areas of the group's activities including semiconductors, transportation, power generation and mobile telephones, but stopped short of giving further details of planned remedies. More details were due to have been given next month, but Siemens appears to have brought forward the announcement because of growing shareholder unease. Investors have grown increasingly impatient at the lack of change, especially after Siemens' subsequent difficulties in its semiconductor division. This has suffered from a steep drop in chip prices, which forced the closure of Siemens' North Tyneside plant in the UK in July. Tomorrow's announcement may include further capacity cuts, including possibly more plant closures.

Graham Bowley, Frankfurt

TELECOMMUNICATIONS

KPN cuts 4,000 jobs

KPN, the privatised Dutch telecommunications group, yesterday launched a harsher than expected programme of cuts in order to deal with the pressures of new competition and regulatory demands for lower call charges. About 4,000 full-time jobs are to go, from a total of almost 33,000, and 1,300 contract and agency posts will be ended. The group is to take a F180m (\$428m) pre-tax write-off this year - at the top end of a range indicated in April - to cover redundancies. The cuts, mainly among administrative and lower-skilled technical staff, were likely to involve compulsory redundancies, KPN added.

KPN is also to accelerate depreciation on its older hardware, resulting in an initial F140m in extra costs. It said these would be cancelled out over the coming three to four years by savings from the reorganisation.

Shares in KPN slipped F1.20 in Amsterdam to F175.50. The group has previously forecast an increase of only 2-4 per cent for 1998 net profits from the F1.94bn recorded last year.

Unisource, the loss-making international telecoms alliance grouping KPN with Switzerland's Swisscom and Telia of Sweden, is to have Boenk van Marle as its new chief executive. Mr van Marle, 56, is chief information technology officer at AT&T-Unisource, a venture which is being unwound after the US partner in July agreed to link with British Telecommunications. He replaces Paul Smits, whose return to KPN as director in charge of the Dutch market was announced last month.

DEFENCE ELECTRONICS

Thomson-CSF in Indra pact

Thomson-CSF of France is set today to sign a new industrial and commercial pact with Indra, Spain's main defence electronics concern, to reinforce their links despite a planned reduction in the French group's shareholding in the Spanish company.

Under privatisation plans for Indra, Thomson-CSF agreed earlier this year to reduce its stake of almost 25 per cent, as the Spanish state holding company Sepi prepares to privatise its controlling 56 per cent holding.

In a move to scale down French influence in the privatised electronics company, two Spanish banks, Caja de Madrid and Banco Zarahago, are set to buy 15 per cent from Thomson-CSF, leaving it with 10 per cent. The French group, which reverted to majority private-sector ownership this year, bought its stake in Indra in 1995 for Pta3bn (\$21.3m). The whole of Indra is valued at about Pta100bn.

The new agreement aims to ensure Thomson-CSF's access to Spanish contracts and give Indra worldwide outlets. Indra's existing joint ventures with the US Raytheon-Hughes group - with Raytheon in air traffic control and air defence, and with Hughes in weapon control systems - are to remain intact. David White, Madrid

FIBRE

Lenzing on track for profit

Lenzing, the Austrian fibremaker, said yesterday it was on track to end the year in the black for the first time since 1995, after nine-month results turned positive despite losses at its Lycopell unit. The group, which is majority-owned by Bank Austria, said pre-tax profit to September 30 was Sch223m (\$19.1m), compared with a loss of Sch242m in the same period last year.

Sales of Lycopell - a fibre derived from natural cellulose in woodpulp - were much lower than expected, resulting in losses of Sch214m at the subsidiary. "The Asian crisis led to a dramatic reduction in the important Japanese business," Lenzing said, adding that Lycopell would in future be sold through the parent company's global network in an attempt to boost market penetration. Despite the rosy full-year outlook, Lenzing said market conditions had deteriorated in the US and Europe due to increased imports from Asia and a general economic slowdown. Reuters, Vienna

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INSPECTION AND TESTING NEW MANAGEMENT MOVES TO REBUILD PROFITABILITY

SGS cuts staff at Geneva HQ

By William Hall in Zurich

Société Générale de Surveillance, the world's biggest inspection and testing company, has taken a first step towards rebuilding profitability, cutting staff at its Geneva headquarters by one-third.

The decision is the first sign that the Swiss group's new management team, led by Tony Czura, is starting to attack the cost base at the 120-year-old company.

SGS shares, which have fallen by two-thirds this year following a collapse in profits, yesterday closed more than 7 per cent higher, rising SF72 to SF71.040.

The company said yesterday it would cut 116 jobs at its Geneva headquarters through early retirement and redundancies. After the cuts, SGS will employ 250 at its headquarters.

Although the cuts in Geneva will have little impact on the cost base of a group that employs 40,000 worldwide, analysts were encouraged by yesterday's move.

Simon Marshall-Lockyer, of BT Alex. Brown in Zurich, said it was a "step in the right direction" but warned that it would be much more difficult to make the same sort of cuts in overall staff numbers without damaging the group's core businesses, which were heavily intertwined.

SGS said the cuts were designed to increase the efficiency of customer service and restore profitability through a strict cost-control programme. A restructuring programme had been initiated throughout the organisation and a "cultural change was taking place focusing on customer value, innovation and cost consciousness."

Last month Elisabeth Salina Amorini, 43, who had dominated the group for the past decade, stepped down as chairman and was replaced by Max Amstutz, 69, a Swiss industrialist. Mrs Salina, whose grandfather Jacques

Salmanowitz ran SGS for nearly 50 years, had overseen a substantial increase in staff numbers but had not been able to reduce the group's dependence on the highly profitable, but volatile, government inspection and testing business.

The stock market, which had lost confidence in SGS's former management and directors, expects the company to announce a comprehensive restructuring before the end of the year.

Until then, few analysts are prepared to forecast SGS's profits. However, Johannes Borne, of Pictet & Cie in Geneva, estimates the group will report a net loss of SF110m (\$14m) in 1998, and make net profits of SF90m in 1999 and SF120m in 2000, on sales of SF3.7bn. This compares with a peak profit of SF263m, on sales of SF3.3bn, in 1995.

Viag Intercom, a joint venture with British Telecommunications and Telecom of Norway, launched its mobile telephone service last month.

Viag considering sale of Klöckner

By Ralph Atkins in Bonn

Viag, the Munich-based industrial group, is considering selling its Klöckner & Co logistics subsidiary - a move which would mark a significant refocusing for the power-to-telecommunications conglomerate.

Talks are taking place with "several" possible buyers of Klöckner & Co, Viag said. Possible buyers include Thyssen, the Düsseldorf-based industrial group, which said it was looking to expand its metal trading activities.

Klöckner & Co's core steel trading business generated a turnover of DM9.35bn (\$5.6bn) last year.

News of the possible disposal comes ahead of a statement planned for next Monday by Wilhelm Simson, Viag's newly appointed chairman, outlining results of a strategic review by the group.

Viag has already said the future of its logistics activities - which accounted for more than 40 per cent of Viag's total turnover last year of DM49.5bn - was under "particular" scrutiny.

The group is also considering plans to dispose of its 30 per cent stake in the Switzerland-based Kuhnle & Nagel transport and logistics group. If the Kuhnle & Nagel stake were sold, the sale of Klöckner & Co would, in effect, mark an exit by Viag from logistics activities.

Earlier this year Viag sold its 80 per cent stake in Computer 2000, the personal computer distributor, which was part of the Klöckner & Co division.

Viag yesterday said a final decision on the future of Klöckner & Co had not been

سكرا من الامايل

COMPANIES & FINANCE: ASIA-PACIFIC

HONG KONG MAINLAND-BACKED GROUPS TO SUPPLY PARENTS WITH CASH BY BUYING INTO THEIR SUBSIDIARIES

Red chips to acquire Chinese assets

By Louise Lucas in Hong Kong

Two red chips have moved to capitalise on rallying share prices within the mainland-backed Hong Kong companies sector.

China Everbright, one of the Hong Kong-listed companies under the acquisitive business arm of China's State Council, is to pay HK\$700m (US\$90m) to acquire a financial services

group from its mainland parent.

The deal is expected to be the first of several that see Hong Kong-listed subsidiaries supplying their parents with cash.

Credit availability, or the rising cost of funds, has become a bigger concern for mainland groups in the wake of the closure of Guangdong International Trust & Investment Corp

(Gitic), which rattled bankers and prompted a series of downgrades by the credit rating agencies.

Other reds, of which there are some 240, have felt the heat of the curbs on China lending.

As investment agencies, reds have been one of the mainland's big platforms for raising funds overseas, a role that is expected to shift heavily over to the red chips.

China Everbright said that in addition to acquiring China Everbright Financial in its entirety, it had also been granted an option to buy a 49 per cent stake in Everbright Securities Company, a mainland entity engaged in securities dealing.

Investors welcomed the deal, which appears to reignite the trend of asset injections into parent companies - a trend which investors like because the rates paid are generally more favourable.

China Everbright's share price yesterday rose 11.4 per cent to HK\$3.96.

Investors also rushed to embrace another red chip deal, the sector's first private share placement in five months. Demand was so strong that China Merchants Holdings International

issued additional shares, according to underwriters.

The Hong Kong-listed arm of China's Ministry of Communications, issued 102m new shares at HK\$5.04 each to place with institutional investors, raising HK\$514m.

The price represents a 10 per cent discount to the share's HK\$5.60 closing price on Monday, when the share surged 11 per cent. Trading was suspended yesterday.

Ssangyong sell-offs continue

By John Burton in Seoul

Ssangyong is to sell its main cement and oil refining businesses to help it pay off debt. The sales will be the latest in the break-up of what was South Korea's sixth largest conglomerate only a year ago.

An ill-fated move into car manufacturing nearly bankrupted the group last December and forced it to sell its car, paper and securities units to pay off debts.

Ssangyong said continuing problems with its construction units were forcing it to sell its cement plants and oil refining operations, which form the core of the group.

It asked creditor banks to restructure Won1,630bn (\$1.2bn) in debts owed by Ssangyong Engineering and Construction and Namkwang Engineering on the understanding that the group would raise Won2,900bn through the sale of the cement and oil refining assets.

The asset sales would reduce the number of Ssangyong units to seven. They will include trading, machinery, construction, insurance and communications, most of which have been marginal businesses for the group.

Cho Hung Bank, Ssangyong's main creditor, said it would decide within 10 days whether to approve the debt restructuring programme.

Ssangyong estimates it could raise at least Won1,500bn from the sale of its cement plants.

Semen Cibinong, the Indonesian cement maker, yesterday said it would resume partial interest payments on \$910m in foreign debt, becoming the first big Indonesian debtor to respond to the rebound of the rupiah, writes Sander Thoenes in Jakarta.

With the rupiah at Rp6,500, against a low of Rp17,000 in June, Cibinong said it could pay 25 per cent of interest due.

Hyundai vows to take more radical steps to reform

High gearing and a pressing need to finance the takeover of Kia have driven restructuring efforts, says John Burton

Investors have not treated Hyundai kindly in the past year. Share prices for listed companies of South Korea's largest conglomerate, or chaebol, have fallen 38 per cent, the second worst performance among the nation's top five business groups after Daewoo.

The reason is not hard to find. Hyundai is known for its smokestack industries and the old-style autocratic management that belies its name, which means "modern" in Korean. It has resisted restructuring despite struggling to support a debt burden of five times equity during Korea's worst recession in 45 years.

But Hyundai may yet prove to be the first big chaebol to streamline its sprawling industrial empire after winning an auction for Kia, the insolvent Korean motor group, last month.

Faced with the prospect of spending Won7,600bn (\$5.76bn) to absorb Kia, Hyundai has suddenly appeared willing to dispose of troubled businesses. "The Kia deal will be a catalyst for change at Hyundai," says Dai Ricks, research head at

ABN Amro in Seoul. Hyundai last week said it would close 27 of its 62 subsidiaries and reduce its debt to two times equity by the end of 1999 as it concentrates on profitable businesses.

Although Hyundai has failed to deliver on similar restructuring plans in the past, analysts believe the group may be serious this time.

One encouraging sign is that it dropped its opposition to merging some businesses with chaebol rivals under a government-sponsored reform plan to eliminate excess production capacity in seven industrial sectors.

Hyundai, with its heavy industrial profile, was the chaebol most affected by the "big deal" programme, but refused to participate in several of the proposed mergers. In the wake of Kia, it agreed to proceed with the mergers, which include its semiconductor, petrochemical, aerospace, power generation, and rolling stock operations.

It has decided to accept foreign investment. Half of Hyundai Oil refinery was sold last month to IPIC, the state-run oil company of the



Driving changes: Hyundai is set to close 27 out of its 62 subsidiaries in a move to reduce costs

United Arab Emirates, for \$500m. It is also discussing selling a minority stake in its telecommunications equipment business to Germany's Siemens and wants foreign car companies to invest in Kia.

Financial pressure is accelerating restructuring since Hyundai must raise Won1,200bn by March to pay for its 51 per cent stake in Kia. Hyundai must also pay Kia's outstanding debt of Won6,400bn by the year 2000.

The acquisition of Kia represents a renewed emphasis on Hyundai's core businesses, which include Korea's largest car, shipbuilding, shipping and construction companies that were established by Chung

Ju-yung, the group's retired founder. Efforts by Mr Chung's sons, who took management control last year, to expand new businesses, including steel, aerospace, electronics and finance, have been put on hold.

Nonetheless, some analysts remain sceptical about the extent of changes occurring at Hyundai and believe that more radical restructuring is needed.

"Slimming down the number of businesses is a step in the right direction, but the main challenge is getting rid of excess capacity."

They could even block the state-proposed merger between Hyundai Electronics' semiconductor unit and LG Semicon.

Hyundai Electronics is managed by Chung Mong-hun, who was recently appointed co-chairman for the entire group. Analysts believe that he is unlikely to proceed with the merger if an outside arbiter decides LG Semicon should have majority control of the new company.

Credit Suisse may quit private banking in Japan

By Julie Hess and Gillian Tett in Tokyo

Credit Suisse, one of the world's leading private banks, is considering withdrawing from private banking operations in Japan and is reviewing its activities elsewhere in Asia.

The Swiss bank has already closed its Australian office and could soon suspend its operations in Jakarta and Kuala Lumpur, it said yesterday.

Credit Suisse insisted no decision had yet been taken on the future of the Japanese office and other Asian branches. However, the review highlights how the Asian downturn is denting the expansion plans of some Western banks in the region.

The Tokyo office employs 20 and serves several hundred clients. Its closure would undermine the Japanese government's claims that Big Bang deregulation should promote a private banking boom in the next few years.

The review has been partly prompted by a recent reorganisation of the global private-banking business at Credit Suisse's headquarters in Zurich and by a move away from global market coverage towards a requirement that each regional office be profitable.

Credit Suisse closed its onshore New York office earlier this year, and in recent weeks the high cost of the Japanese offices has left officials in the bank pushing to close these as well.

The Tokyo office has not generated a profit since it opened in 1991. "The yearly cost per customer to run an account is incredibly high by international comparison," said Daniel Biehoff, head of Credit Suisse private banking in Tokyo.

He said expanding private banking was difficult in Japan, as clients were not familiar with private banking concepts.

The problems are understood to involve restructuring PAL's \$2bn debt burden and management control.

Under current regulations, Cathay Pacific can take only a minority 40 per cent stake in the airline, but the Hong Kong airline is keen to ensure it would have management control.

NEWS DIGEST

PHILIPPINES

Ayala Corporation rises in line with expectations

Ayala Corporation, the blue chip Philippine conglomerate whose interests include banking and telecommunications, saw a slight growth in profits for the nine months to September 30. Net profit edged up from 5,249n pesos to 5,299n pesos (\$131m) for the period.

The result was in line with market expectations, although analysts said the third-quarter performance of Ayala Land, the property development subsidiary, were slightly disappointing.

Bonnie Ladrado, at Paribas Asia, said Ayala Land's net profit of 1.8bn pesos for the nine months came in marginally below his forecast of 2.1bn pesos. However, he said the fourth quarter, usually the company's strongest, was expected to show a rebound following the successful launch of two new property developments in October.

Bank of the Philippine Islands, another subsidiary and rated as one of the country's soundest banks, saw nine-month net profit rise from 3.8bn pesos to 3.9bn pesos. Despite a 4 per cent contraction in its loan portfolio to 104.7bn pesos, interest income rose 33 per cent, from 6.8bn pesos to 8.7bn pesos. The bank's capital adequacy ratio also continued to increase, to 22 per cent, reflecting the bank's conservative approach.

Globe Telecom, Ayala's fixed-line and cellular telecoms operation, returned to profits after increasing its subscriber base. It made nine-month profits of 4.7m pesos compared with a loss of 793m pesos last time.

Tony Tassell, Manila

SOUTH AUSTRALIA

Electricity industry to be leased

South Australia's electricity generating and transmission business, worth about A\$5.5bn (US\$3.4bn), is now expected to be leased rather than sold. A 25-year lease with a 74-year renewable option of the States power assets, has been flagged, but nothing definitive has been agreed.

The states' power assets are controlled by seven government-owned companies. Already, 33 national and international companies have expressed interest in buying or leasing the companies' assets.

US-based GPU International, has expressed interest in the lucrative transmission and distribution sector. GPU paid A\$2.5 billion in 1997 for the distribution system in the neighbouring state of Victoria. A decision is expected late this month or early December, according to Alex Kennedy, of the Economic Reform and Sales Unit of the SA government. Steve Wyatt, Sydney

Cathay Pacific seeks PAL stake

By Louise Lucas in Hong Kong and Tony Tassell in Manila

Cathay Pacific, Hong Kong's de facto flag carrier, has completed an outline proposal for taking a controlling stake in the troubled Philippine Airlines.

Negotiations over the plan, which will be submitted shortly, are likely to be protracted as several of its conditions could prove to be obstacles to a sale.

The problems are understood to involve restructuring PAL's \$2bn debt burden and management control.

Under current regulations, Cathay Pacific can take only a minority 40 per cent stake in the airline, but the Hong Kong airline is keen to ensure it would have management control.

the Philippine president, said yesterday that the Filipino-Chinese business tycoon Lucio Tan, PAL's majority shareholder, was willing to cede management control.

Analysts in Hong Kong said Cathay Pacific was in a strong position to negotiate debt restructuring with PAL creditors. It would also be able to take advantage of synergies and may introduce another equity holder to share the costs.

However, others were concerned by the challenge Cathay Pacific would face turning round PAL, which lost more than 8,080n pesos (\$200m) in its year to March.

Some Cathay Pacific executives are also concerned about union activity at PAL, and possible racial tensions from putting in Chinese management.

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- Revenue 56% up to £707-million
- Attributable income 79% up to £118-million
- Headline earnings per share 33% up to 38.5 cents
- Interim dividend increases by 26% to 11.2 cents a share
- Outlook - satisfactory real growth in earnings per share for the financial year

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OIL RISE IN VOLUMES FAILS TO OFFSET FALL IN CRUDE PRICES

Third-quarter decline at BP

By Robert Corzine

British Petroleum, due to take over Amoco of the US by the end of the year, yesterday reported a 36 per cent fall in third-quarter profits, to \$418m (\$703m) as its three main operating divisions came under pressure from low oil prices and growing economic uncertainty.

Operating profits from exploration and production, traditionally the main source of BP revenues, tumbled to \$39m (\$675m). A 12 per cent rise in oil volumes failed to offset a \$5 a barrel fall in crude prices, while the natural gas sales in the UK

were substantially lower.

But the results were firmly in line with expectations, at a time when companies across the oil sector have been hard hit. BP shares closed up 10.5p at 903.5p after rising as high as 932p as analysts said BP was outperforming many of its peers.

Sir John Browne, BP chief executive and chief executive-designate of BP Amoco, said he intended to set detailed long-term financial performance targets for the merged group by next July in a bid to secure premium ratings for its shares. He said the merger, billed as the world's biggest industrial

one, was on track for completion by the year-end.

Rodney Chase, BP's deputy chief executive, said Amoco managers had generally accepted the fact that the new group would be run along BP lines.

Mr Browne said BP would continue to review its upstream portfolio and focus even more on the "very low cost and high output fields" that are more resilient to low prices.

In the three months to September 30, operating profits from refining and marketing, which usually benefits from low crude prices, were up only 3 per cent to \$272m, because mar-

gins outside of Europe "were significantly lower."

Chemicals output rose 10 per cent but profits fell to \$56m (\$141m). The performance of the chemicals division was hit by \$50m charges related to maintenance shutdowns and legal settlements.

Net debt fell to \$7.2bn, with gearing at 22 per cent, below BP's target range of 25-30 per cent.

Mr Browne said volume growth and increased productivity so far this year "have delivered" \$250m towards our target of \$2bn of net income improvement by 2002.

See Page 16

Matthew Clark agrees \$360m US takeover

By Charles Pratt

Matthew Clark, the cider maker hit by the rise of "alcopops" and sales of bottled lagers, has agreed a \$215m (\$360m) takeover by Canandaigua Brands, a US drinks producer and distributor.

The move marks the beginning of an expansion drive into Europe by Canandaigua, which is based in Fairport, New York State. It is offering 243p a share in cash for Matthew Clark, which owns Blackthorn cider.

The UK group's shares rose 48p - or 26 per cent - to 239p. Shares of rival cider maker HP Bulmer rose 2.5p to 342.5p.

Canandaigua, which has made five other big acquisitions in the 1990s, said it was keen to expand in Europe.

"Our most immediate focus will most likely be in the distilled spirits arena," the company said. "We are always in talks with people."

It also said it hoped to sell more Matthew Clark products in the US and was anxious to channel more American wines through Matthew Clark's UK distribution system.

Analysts believe the takeover will be welcomed by shareholders, who include Phillips & Drew with 22.9 per cent. They have seen the value of the shares fall from 50p just two years ago following a series of profits warnings. The shares hit a low of 116p this month.

Nigel Popham, analyst at Teather & Greenwood, said: "It's a very generous price in relation to where the company has been in the last year. City investors had completely lost confidence."

The offer represents an 81 per cent premium to the share price immediately before Matthew Clark said it was in takeover talks two weeks ago. The bid values the group, founded more than 250 years ago, at 84 times last year's earnings of 38.6p per share.

Canandaigua was advised by Schroders and Matthew Clark was advised by Warburg Dillon Read.

COMMENT

UK banks

What is one to make of Gordon Brown's review of the banks? Perhaps it is no more than a polite request from the chancellor that they not be nasty to their small business clients with a downturn looming. But a repeat of 1992, when a recession saw over-

geared small businesses in trouble with the banks, is unlikely. Now much of the finance is long-term, and hence more secure. But perhaps the review portends a more far-reaching inquiry into bank profitability. After all, UK banks' return on equity has far outstripped that of US and European banks. Are they efficient, or just ripping off the customer? It is a reasonable question. But banks will probably not be too scared. For one, returns will fall as the cycle turns down, revealing the strong cyclical element at play. Second, they can cite the big upsurge in competition from non-banks in retail financial services. As for small business banking, the dominant figures are National Westminster and Barclays, if anything the laggards of the UK banking sector.

One may also wonder at the review's terms of reference. Ginger up competition? Fine. But lectures on innovation from government? Sounds like the first cousin of "picking winners".

UK economy

So there will not be a recession after all. At least so says the chancellor. Next year's growth forecast has been cut to 1.1 per cent. But that is still not shrinking. Moreover, growth is expected to pick up smartly after that. The result is that, taking the next three years as a whole, growth is forecast to be in line with the long-term trend of 2.5 per cent.

The forecast raises two questions. Is it excessively optimistic? And is Gordon Brown taking risks with the public finances? The answer to both questions is probably no. Certainly there is no need for a recession - the economy has not binged to such an extent that a period of cold turkey is now required. That is no guarantee: the UK could still be blown off course by unpredictable events. But, even if it is, the public finances look robust. True, the current budget would not then be balanced in every year. But Mr Brown's regime only promises balance over the cycle. Moreover, the idea that fiscal policy ought to be tightened in the event of a recession is pretty bizarre economics.

See Page 16

M&S to review strategy after 23% downturn

By Peggy Hollinger

Sir Richard Greenbury, chairman of Marks and Spencer, yesterday described "a bloodbath" in the clothing sector as the UK's biggest fashion retailer announced its first profits decline in six years.

M&S shares tumbled 10 per cent following news of a 23 per cent drop in interim pre-tax profits to £348m (£557m), before exceptional, on sales 1.8 per cent ahead to £3.8bn.

The group also warned that it would not meet sales targets for the rest of the year and said it did not expect the declining profits trend to reverse in the second six months.

Analysis cut profit expectations as a result from about £1bn this year to as low as \$925m, against last year's £1.2bn.

"This is a major wobble," said one analyst. "M&S has done worse than its competitors and it has been far too slow to respond to the market conditions."

Some speculated that pressure would increase on Sir Richard to separate his roles as chairman and chief executive. "The company needs a root and branch restructuring," said one. "Instead of pushing decision making up

it needs to push it down. It has been too risk averse."

Sir Richard said the company's structure and strategy was being reviewed and a report would be made in due course. In the meantime, he had agreed to remain until the age of 65 - almost three years away.

Sir Richard said interim profits had been hit by an unexpectedly sharp downturn in clothing sales in September and October, which had affected all retailers. "We are all in shock at the moment. It is a bloodbath in clothing. National sales have been in the red for five of the last seven weeks," he said.

Nevertheless, he admitted that the group had lost market share in the autumn as a result of early discounting by competitors.

Sir Richard said M&S was re-examining its pricing and sourcing in the UK. It was also cutting about £300m from its longer-term expansion plans, mainly in the UK. UK retail operating profits fell 24 per cent to £271.6m. Overseas the effects of a strong pound and the financial crisis in east Asia left the group with an operating loss of £5.3m against profits of £22m. Turnover fell 4 per cent to £277.4m.

See Page 16

Toyota contract win for Bovis

By Jonathan Guthrie in London and David Owen in Paris

Bovis Construction, the UK-based business which P&O, the transport and property group, is considering selling, has won a high-profile contract to build the first Toyota car plant in continental Europe.

The order, estimated to be worth £180m (£180m) is expected to make Bovis more attractive to potential bidders.

The greenfield plant at Valenciennes, near the Belgian border, will cost a total £180m when fitted out. It has been heralded by French officials as an important symbol of international confidence in the country.

Toyota executives have indicated the company received as many as 76 site proposals from more than 20 countries. Its decision to plump for the British group is a blow to Bouygues, the construction, TV and telecoms company, which was among the contenders, as part of an all-French grouping. Japanese construction

companies Takenaka and Obayashi also lost out.

A long track record in France, where other foreign firms have struggled to gain a foothold, is thought to have helped Bovis. In 1992 it completed the £1.3bn project to build Disneyland Paris.

Sir Frank Lampl, chairman of Bovis, said: "This is an endorsement of our policy of pursuing international business. We have been working in France for 20 years and in Japan for 10."

Work on the new plant, which will have 140,000 sq m of floor space, is expected to start in January. Bovis is scheduled to complete the plant by spring 2000. Production of Toyota's small car, the Yaris, currently imported into Europe from Japan, is expected to begin in 2001. Bovis will be construction manager and subcontract the building work.

WS Atkins, the consulting engineers, and Hochtief, the German builder, have been named as potential bidders for Bovis, though both have denied the speculation.

RESULTS FOR HALF YEAR ENDING 26TH SEPT. 1998

GROUP TURNOVER £3.8bn

GROUP PROFIT BEFORE TAX & EXCEPTIONAL ITEMS £348M

FINANCIAL SERVICES PROFIT UP 19.7% TO £45M

DIVIDEND PER SHARE 3.7P

MILLION SQ FEET OF NEW UK SELLING SPACE WILL BE ADDED THIS FINANCIAL YEAR

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CURRENCIES & MONEY

Spanish central bank jumps the gun

MARKETS REPORT

By Alan Beattie

Unexpectedly early cuts in Spanish and Portuguese interest rates yesterday encouraged lingering speculation that Germany and France might loosen policy later this week.

The peseta was little changed against the D-Mark at 166.49, though the escudo softened somewhat. The D-Mark itself fell against the dollar, finishing nearly a penny lower at DM1.659.

The cuts enlivened an otherwise quiet day on the currency markets, in which a Japanese public holiday took even more volume out of a thin market.

The dollar finished in London marginally higher against the yen, closing at ¥114.93 compared with ¥114.90 on Monday. And sterling largely ignored the Chan-

celor's pre-budget report, closing down over a cent against the dollar at \$1.657 on fears about a weakening domestic economy.

The Spanish central bank's move, followed some hours later by Portugal, reawakened some speculation that early interest rate convergence in the euro bloc will allow the European Central Bank (ECB) to cut rates before the end of 1998.

"My reading is that there is something on a bigger scale behind this," said Henrik Lundholm at the Bank of America in Madrid. "It is difficult for the core European countries to move very much because convergence is complete and Spain is helping to make that possible."

The speed with which this is happening is telling us something," he added.

But other analysts pointed to the change in the Bank of Spain's method of rate-setting as the primary reason for the move.

"True, the cut was 2-3 weeks before everyone expected," said Jose Luis Alzola, economist at Salomon Smith Barney-Citibank in London. "But that may have been because the Bank of Spain had just introduced a repo auction system and thought it might as well make both changes at once."

The ECB's council met yesterday amid political pressure for a looser monetary policy, and some confusion over who is minding the interest rate step in Europe for the rest of the year.

The ECB has no formal power to change interest rates until the new year, but some Bundesbank officials have deflected debate over German rates by arguing

that any move before then would be an ECB decision.

A less surprising interest cut in Sweden yesterday saw the repo rate lowered by 25 basis points to 2.50 per cent. After an initial wobble against the D-Mark, the krona was broadly unmoved by the news, the markets having expected the move. The currency closed in Lon-

don at SKr4.708 against the D-Mark, little changed from SKr4.703 on Monday.

The Indonesian rupiah weakened yesterday after fears that failure to make progress on democratic reforms could threaten the country's fragile social and political stability.

The rupiah fell against the dollar, finishing London trading at Rp855.00, compared with a rate of Rp750.00 on Monday. The fall came on a day when most other Asian currencies remained little moved.

The Indonesian consultative assembly (MPR) is due to meet next week to push

through electoral reforms and set a date for parliamentary elections next year. Violent public unrest has often accompanied meetings of the MPR in the past, and failure to move forward on the democratic front may threaten future social stability, weakening the rupiah.

The Moldovan currency exchange again cancelled the official currency auction yesterday as speculative attacks drove the Moldovan lei outside the permitted 10 per cent daily movement against the dollar.

Mass buying of dollars by private individuals as well as banks and companies led to the central bank refusing to intervene to prop up the battered lei.

The currency was then traded on the interbank market without the presence of the central bank at values of up to 30 per cent less than the last posted official rate of 6.4 lei to the dollar.

Swedish krona
Against the D-Mark (SKr per DM)

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COMMODITIES & AGRICULTURE

Russia welcomes diamond deal with De Beers

By Arkady Ostrovsky in Moscow

The cash-strapped Russian government yesterday welcomed a marketing agreement signed between Almaz, the country's largest rough, or uncut, diamond producer, and De Beers of South Africa.

The deal, worth \$80m to \$100m a month depending on marketing conditions, extends for three years an agreement with De Beers to market Russian diamonds.

OBITUARY: BOB SMITH

A miners' miner at Barrick Gold

Bob Smith, vice-chairman of Barrick Gold, who died last week aged 66, was one of the main figures in the revival of North America's gold mining industry in the 1980s.

In 1984 he formed what seemed an unlikely partnership with Peter Munk, who had founded what was then called American Barrick the previous year. The two men could not have been more different in personality.

Hungarian-born Munk is flamboyant. Smith was modest, self-effacing, even taciturn, and a "miners' miner" who once said: "I'm an operator. I love getting out to the mines, talking to miners. They are the heart and soul of this company."

Within 10 years the two men had turned Barrick into the biggest gold producer outside South Africa.

Smith brought to this combination his mining expertise and an ability to get the best out of his people, who had a great affection and admiration for him. Munk contributed entrepreneurial drive and financial skills.

Barrick produced more than 3m ounces of gold last year and the hedging that Munk made a cornerstone of the business enabled it to collect \$430 an ounce, \$88 above the average spot price.

In 1989 Barrick acquired the Goldstrike property on the Carlin Trend in Nevada. The Carlin became the big-

gest gold region outside South Africa. Barrick paid \$20m for about 10 per cent of the Trend, or 7,000 acres.

The two mines on Goldstrike last year produced more than 2.1m ounces of gold and have nearly 30m ounces in reserves.

Extracting the Goldstrike gold was not easy, however. The precious metal is locked up in sulphide ore and is difficult to release. In addition, most of the ore is below the water table and the most extensive dewatering system in the US had to be installed.

Smith always insisted that what was achieved came from team work, but without his persistence, patience and leadership Barrick would not have got the most out of the property's potential.

Smith was the son of an accountant and grew up in Halesbury on the north shore of Lake Temiskaming in the heart of Ontario's silver mining country.

He graduated in mining engineering from the University of Toronto and by 1979 was president of a small company called Camflo. In 1984 Munk took over Camflo.

One Camflo executive advised Munk to fire the "difficult" Smith, but instead he appointed him president and chief operating officer, a role he retained until 1995.

He is survived by his wife, Jane Ann, and daughter, Janet.

Russian diamonds make up about a quarter of total sales by De Beers' London-based Central Selling Organisation, which, in turn, accounts for more than 60 per cent of world trade in rough diamonds.

Yevgeny Primakov, the Russian prime minister who met De Beers in Moscow, said Russia was interested in long-term co-operation with the South African cartel.

"We are working on a very important territory for us and considering our position in this field, we are interested in our further co-operation," he said.

Under the deal, Alrosa agreed to sell at least \$500m of diamonds a year - half its output - through De Beers.

It can also sell 5 per cent of its diamonds on the international market independently. The two sides will set up a watchdog to monitor the implementation of the agreement and prevent "leakages" of diamonds from Russia through unofficial channels.

The agreement follows discussions that peaked in January 1997 when De Beers stopped formal arrangements with Russia after 40 years. Viacheslav Shityrov, president of Alrosa, which produces 98 per cent of Russian rough diamonds, said it was this year's most important event for diamonds.

Demand for diamonds has been badly hit by the Asian financial crisis this year and Nicky Oppenheimer, chairman of De Beers, said: "In the present conditions of destabilisation of the world diamond market, only joint efforts by large diamond producers can settle the situation."

BHP makes a pipe dream come true

Canada's Ekati diamond mine is a triumph of co-operation, writes Scott Morrison

The Ekati diamond mine sits alongside an important caribou migration route in Canada's desolate Northwest Territories. Grizzly bears and other wild animals are known to pass by occasionally, but the region was rarely visited by man until Broken Hill Properties, the Australian group, began developing the site almost two years ago.

The logistical challenges of establishing a mine in the remote region around Lac de Gras, some 300 km north of Yellowknife, were compounded by an inhospitable climate that can send temperatures plummeting to minus 50 degrees Celsius.

The mine site was far from ideal and many sceptics believed hopes of extracting diamonds from the Canadian tundra were a pipe dream.

However, the operators of Canada's first diamond production facility celebrated victory with the opening of the US\$700m mine last month. This was even more impressive given that BHP and Canadian minority partner Dia Met Minerals had to overcome a challenging political climate and contend with the demands of the region's native Indians.

BHP could not have foreseen the difficulties it would encounter, for it began developing the mine just as

Canadian native groups were becoming much more assertive about their economic rights.

Moreover, territorial government leaders were determined to ensure the project would benefit the region. Ekati was viewed by native leaders and local politicians more as a vehicle for economic development than as a for-profit project.

Territorial officials and native leaders acknowledge BHP was quick to understand that for the project to succeed, the interests of the local population would have to be taken into account.

The company spent several years negotiating with the territorial government and four native groups that claimed rights to the territory on which the diamond-bearing kimberlite pipes were discovered.

Graham Nicolls of BHP says the company was uncertain early on with whom it should be negotiating. Negotiations with native groups resulted in several impact benefit agreements that contain employment targets, training provisions and other elements, including a financial component, the details of which remain secret.

Native and territorial leaders were also very concerned about protecting the envi-

ronment and demanded that the company divert waterways, safeguard against tailing spills and maintain the purity of a number of small lakes at the mine site.

The secondary waste treatment plant at Ekati is the only one in the Northwest Territories and some observers have noted that BHP has been held to higher standards than any other mining group in the jurisdiction.

BHP's challenges extended far beyond the mine site as territorial leaders had other priorities. With the government cutting jobs and the recent closure of several gold mines, officials increased pressure on BHP to deliver additional economic benefits.

In possibly the most contentious issue, government leaders demanded that BHP build a sorting and evalua-

tion centre in Yellowknife and sell 10 per cent of the mine's output to buyers within the territory.

Officials believed that would facilitate the creation of a regional diamond cutting industry. Failure to meet the demands, warned the territorial finance minister, would lead to the implementation of a "tax regime that would choke a mule".

Although BHP was under no legal obligation, it agreed to build the centre and meet the demand of local diamond manufacturers that pay fair market value but it is not bound to provide a specific percentage of production to local buyers.

Despite widespread initial scepticism about the project, all parties involved praised the co-operative effort that enabled the mine to open.

Ekati is expected to produce 3.5m to 4.5m carats a



Hard graft: establishing the mine has meant working in temperatures as low as minus 50 degrees

More cuts seen in metals output

MARKETS REPORT

By Kenneth Gouding
and Paul Solomon

As aluminium and copper prices fell again on the London Metal Exchange yesterday, Flinings Global Mining Group pointed out that many metals are trading at levels not seen since the 1930s depression.

Nick Moore in Flinings' Commodities Companion suggested output cuts by metals producers have only just begun and "will rise to a crescendo in the first half of 1999".

There is not one bullish market outlook for base or precious metals, he said, only "bullish tendencies" for gold and perhaps tin.

Nickel provided the most action on the LME after its strong rise on Monday. In early trading nickel for delivery in three months rose to \$4,180 a tonne. However, trading was subdued because of a national holiday in Japan and the metal drifted back to close unchanged at \$4,090.

World oil prices dropped back below \$13 a barrel as the market awaited the weekly report on US stocks from the American Petroleum Institute, due late last night. In addition, tensions between Iraq and the UN in the Middle East, which had helped prices early on Monday, appeared to have eased.

In late trading on London's International Petroleum Exchange, the December contract for Brent bled was \$12.94, down from Monday's close of \$13.04.

On the London International Financial Futures and Options Exchange, the greatest activity was in coffee, with traders watching reports on damage to arabica crops in central America. The January robusta contract ended up \$28 at \$1.894 a tonne.

The January robusta contract ended up \$28 at \$1.894 a tonne.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Prices from International Metal Trading

All aluminium 99.7 purity (5 per tonne)

Copper 3 months

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All aluminium alloy (5 per tonne)

Copper 3 months

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

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Copper 3 months

Dec 1997.6-5.1

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Korea close 1997.6-5.1

Open int. 1997.6-5.1

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All aluminium alloy (5 per tonne)

Copper 3 months

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Precious Metals continued

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All gold COMEX (100 Troy oz. 999.5)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

GRAINS AND OIL SEEDS

All wheat COMEX (5,000 bushels)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All wheat COMEX (5,000 bushels)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All wheat COMEX (5,000 bushels)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All wheat COMEX (5,000 bushels)

Dec 1997.6-5.1

Previous 1997.6-5.1

High/Low 1997.6-5.1

AM Official 1997.6-5.1

Korea close 1997.6-5.1

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AM Official 1997.6-5.1

Korea close 1997.6-5.1

Open int. 1997.6-5.1

Total daily turnover 1997.6-5.1

All wheat COMEX (5,000 bushels)

Dec 1997.6-5.1

Previous 1997.6-5.1

OFFSHORE AND OVERSEAS

BERMUDA (PSA RECOGNISED)

Fund Name	Price	Change
Bermuda Fund 1	10.50	+0.10
Bermuda Fund 2	11.20	+0.05
Bermuda Fund 3	12.10	+0.15
Bermuda Fund 4	13.00	+0.20
Bermuda Fund 5	14.50	+0.30
Bermuda Fund 6	15.80	+0.40
Bermuda Fund 7	17.20	+0.50
Bermuda Fund 8	18.50	+0.60
Bermuda Fund 9	19.80	+0.70
Bermuda Fund 10	21.00	+0.80

BERMUDA (REGULATED)**

Fund Name	Price	Change
Bermuda Fund 11	22.50	+0.90
Bermuda Fund 12	24.00	+1.00
Bermuda Fund 13	25.50	+1.10
Bermuda Fund 14	27.00	+1.20
Bermuda Fund 15	28.50	+1.30
Bermuda Fund 16	30.00	+1.40
Bermuda Fund 17	31.50	+1.50
Bermuda Fund 18	33.00	+1.60
Bermuda Fund 19	34.50	+1.70
Bermuda Fund 20	36.00	+1.80

CAYMAN ISLANDS (REGULATED)**

Fund Name	Price	Change
Cayman Fund 1	37.50	+1.90
Cayman Fund 2	39.00	+2.00
Cayman Fund 3	40.50	+2.10
Cayman Fund 4	42.00	+2.20
Cayman Fund 5	43.50	+2.30
Cayman Fund 6	45.00	+2.40
Cayman Fund 7	46.50	+2.50
Cayman Fund 8	48.00	+2.60
Cayman Fund 9	49.50	+2.70
Cayman Fund 10	51.00	+2.80

GUERNSEY (PSA RECOGNISED)

Fund Name	Price	Change
Guernsey Fund 1	52.50	+2.90
Guernsey Fund 2	54.00	+3.00
Guernsey Fund 3	55.50	+3.10
Guernsey Fund 4	57.00	+3.20
Guernsey Fund 5	58.50	+3.30
Guernsey Fund 6	60.00	+3.40
Guernsey Fund 7	61.50	+3.50
Guernsey Fund 8	63.00	+3.60
Guernsey Fund 9	64.50	+3.70
Guernsey Fund 10	66.00	+3.80

GUERNSEY (REGULATED)**

Fund Name	Price	Change
Guernsey Fund 11	67.50	+3.90
Guernsey Fund 12	69.00	+4.00
Guernsey Fund 13	70.50	+4.10
Guernsey Fund 14	72.00	+4.20
Guernsey Fund 15	73.50	+4.30
Guernsey Fund 16	75.00	+4.40
Guernsey Fund 17	76.50	+4.50
Guernsey Fund 18	78.00	+4.60
Guernsey Fund 19	79.50	+4.70
Guernsey Fund 20	81.00	+4.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 1	82.50	+4.90
Ireland Fund 2	84.00	+5.00
Ireland Fund 3	85.50	+5.10
Ireland Fund 4	87.00	+5.20
Ireland Fund 5	88.50	+5.30
Ireland Fund 6	90.00	+5.40
Ireland Fund 7	91.50	+5.50
Ireland Fund 8	93.00	+5.60
Ireland Fund 9	94.50	+5.70
Ireland Fund 10	96.00	+5.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 11	97.50	+5.90
Ireland Fund 12	99.00	+6.00
Ireland Fund 13	100.50	+6.10
Ireland Fund 14	102.00	+6.20
Ireland Fund 15	103.50	+6.30
Ireland Fund 16	105.00	+6.40
Ireland Fund 17	106.50	+6.50
Ireland Fund 18	108.00	+6.60
Ireland Fund 19	109.50	+6.70
Ireland Fund 20	111.00	+6.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 21	112.50	+6.90
Ireland Fund 22	114.00	+7.00
Ireland Fund 23	115.50	+7.10
Ireland Fund 24	117.00	+7.20
Ireland Fund 25	118.50	+7.30
Ireland Fund 26	120.00	+7.40
Ireland Fund 27	121.50	+7.50
Ireland Fund 28	123.00	+7.60
Ireland Fund 29	124.50	+7.70
Ireland Fund 30	126.00	+7.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 31	127.50	+7.90
Ireland Fund 32	129.00	+8.00
Ireland Fund 33	130.50	+8.10
Ireland Fund 34	132.00	+8.20
Ireland Fund 35	133.50	+8.30
Ireland Fund 36	135.00	+8.40
Ireland Fund 37	136.50	+8.50
Ireland Fund 38	138.00	+8.60
Ireland Fund 39	139.50	+8.70
Ireland Fund 40	141.00	+8.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 41	142.50	+8.90
Ireland Fund 42	144.00	+9.00
Ireland Fund 43	145.50	+9.10
Ireland Fund 44	147.00	+9.20
Ireland Fund 45	148.50	+9.30
Ireland Fund 46	150.00	+9.40
Ireland Fund 47	151.50	+9.50
Ireland Fund 48	153.00	+9.60
Ireland Fund 49	154.50	+9.70
Ireland Fund 50	156.00	+9.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 51	157.50	+9.90
Ireland Fund 52	159.00	+10.00
Ireland Fund 53	160.50	+10.10
Ireland Fund 54	162.00	+10.20
Ireland Fund 55	163.50	+10.30
Ireland Fund 56	165.00	+10.40
Ireland Fund 57	166.50	+10.50
Ireland Fund 58	168.00	+10.60
Ireland Fund 59	169.50	+10.70
Ireland Fund 60	171.00	+10.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 61	172.50	+10.90
Ireland Fund 62	174.00	+11.00
Ireland Fund 63	175.50	+11.10
Ireland Fund 64	177.00	+11.20
Ireland Fund 65	178.50	+11.30
Ireland Fund 66	180.00	+11.40
Ireland Fund 67	181.50	+11.50
Ireland Fund 68	183.00	+11.60
Ireland Fund 69	184.50	+11.70
Ireland Fund 70	186.00	+11.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 71	187.50	+11.90
Ireland Fund 72	189.00	+12.00
Ireland Fund 73	190.50	+12.10
Ireland Fund 74	192.00	+12.20
Ireland Fund 75	193.50	+12.30
Ireland Fund 76	195.00	+12.40
Ireland Fund 77	196.50	+12.50
Ireland Fund 78	198.00	+12.60
Ireland Fund 79	199.50	+12.70
Ireland Fund 80	201.00	+12.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 81	202.50	+12.90
Ireland Fund 82	204.00	+13.00
Ireland Fund 83	205.50	+13.10
Ireland Fund 84	207.00	+13.20
Ireland Fund 85	208.50	+13.30
Ireland Fund 86	210.00	+13.40
Ireland Fund 87	211.50	+13.50
Ireland Fund 88	213.00	+13.60
Ireland Fund 89	214.50	+13.70
Ireland Fund 90	216.00	+13.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 91	217.50	+13.90
Ireland Fund 92	219.00	+14.00
Ireland Fund 93	220.50	+14.10
Ireland Fund 94	222.00	+14.20
Ireland Fund 95	223.50	+14.30
Ireland Fund 96	225.00	+14.40
Ireland Fund 97	226.50	+14.50
Ireland Fund 98	228.00	+14.60
Ireland Fund 99	229.50	+14.70
Ireland Fund 100	231.00	+14.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 101	232.50	+14.90
Ireland Fund 102	234.00	+15.00
Ireland Fund 103	235.50	+15.10
Ireland Fund 104	237.00	+15.20
Ireland Fund 105	238.50	+15.30
Ireland Fund 106	240.00	+15.40
Ireland Fund 107	241.50	+15.50
Ireland Fund 108	243.00	+15.60
Ireland Fund 109	244.50	+15.70
Ireland Fund 110	246.00	+15.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 111	247.50	+15.90
Ireland Fund 112	249.00	+16.00
Ireland Fund 113	250.50	+16.10
Ireland Fund 114	252.00	+16.20
Ireland Fund 115	253.50	+16.30
Ireland Fund 116	255.00	+16.40
Ireland Fund 117	256.50	+16.50
Ireland Fund 118	258.00	+16.60
Ireland Fund 119	259.50	+16.70
Ireland Fund 120	261.00	+16.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 121	262.50	+16.90
Ireland Fund 122	264.00	+17.00
Ireland Fund 123	265.50	+17.10
Ireland Fund 124	267.00	+17.20
Ireland Fund 125	268.50	+17.30
Ireland Fund 126	270.00	+17.40
Ireland Fund 127	271.50	+17.50
Ireland Fund 128	273.00	+17.60
Ireland Fund 129	274.50	+17.70
Ireland Fund 130	276.00	+17.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 131	277.50	+17.90
Ireland Fund 132	279.00	+18.00
Ireland Fund 133	280.50	+18.10
Ireland Fund 134	282.00	+18.20
Ireland Fund 135	283.50	+18.30
Ireland Fund 136	285.00	+18.40
Ireland Fund 137	286.50	+18.50
Ireland Fund 138	288.00	+18.60
Ireland Fund 139	289.50	+18.70
Ireland Fund 140	291.00	+18.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 141	292.50	+18.90
Ireland Fund 142	294.00	+19.00
Ireland Fund 143	295.50	+19.10
Ireland Fund 144	297.00	+19.20
Ireland Fund 145	298.50	+19.30
Ireland Fund 146	300.00	+19.40
Ireland Fund 147	301.50	+19.50
Ireland Fund 148	303.00	+19.60
Ireland Fund 149	304.50	+19.70
Ireland Fund 150	306.00	+19.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 151	307.50	+19.90
Ireland Fund 152	309.00	+20.00
Ireland Fund 153	310.50	+20.10
Ireland Fund 154	312.00	+20.20
Ireland Fund 155	313.50	+20.30
Ireland Fund 156	315.00	+20.40
Ireland Fund 157	316.50	+20.50
Ireland Fund 158	318.00	+20.60
Ireland Fund 159	319.50	+20.70
Ireland Fund 160	321.00	+20.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 161	322.50	+20.90
Ireland Fund 162	324.00	+21.00
Ireland Fund 163	325.50	+21.10
Ireland Fund 164	327.00	+21.20
Ireland Fund 165	328.50	+21.30
Ireland Fund 166	330.00	+21.40
Ireland Fund 167	331.50	+21.50
Ireland Fund 168	333.00	+21.60
Ireland Fund 169	334.50	+21.70
Ireland Fund 170	336.00	+21.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 171	337.50	+21.90
Ireland Fund 172	339.00	+22.00
Ireland Fund 173	340.50	+22.10
Ireland Fund 174	342.00	+22.20
Ireland Fund 175	343.50	+22.30
Ireland Fund 176	345.00	+22.40
Ireland Fund 177	346.50	+22.50
Ireland Fund 178	348.00	+22.60
Ireland Fund 179	349.50	+22.70
Ireland Fund 180	351.00	+22.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 181	352.50	+22.90
Ireland Fund 182	354.00	+23.00
Ireland Fund 183	355.50	+23.10
Ireland Fund 184	357.00	+23.20
Ireland Fund 185	358.50	+23.30
Ireland Fund 186	360.00	+23.40
Ireland Fund 187	361.50	+23.50
Ireland Fund 188	363.00	+23.60
Ireland Fund 189	364.50	+23.70
Ireland Fund 190	366.00	+23.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 191	367.50	+23.90
Ireland Fund 192	369.00	+24.00
Ireland Fund 193	370.50	+24.10
Ireland Fund 194	372.00	+24.20
Ireland Fund 195	373.50	+24.30
Ireland Fund 196	375.00	+24.40
Ireland Fund 197	376.50	+24.50
Ireland Fund 198	378.00	+24.60
Ireland Fund 199	379.50	+24.70
Ireland Fund 200	381.00	+24.80

IRELAND (PSA RECOGNISED)

Fund Name	Price	Change
Ireland Fund 201	382.50	+24.90
Ireland Fund 202	384.00	+25.00
Ireland Fund 203	385.50	+25.10
Ireland Fund 204	387.00	+25.20
Ireland Fund 205	388.50	+25.30
Ireland Fund 206	390.00	+25.40
Ireland Fund 207	391.50	+25.50
Ireland Fund 208	393.00	+25.60
Ireland Fund 209	394.50	+25.70
Ireland Fund 210	396.00	+25.80

IRELAND (REGULATED)**

Fund Name	Price	Change
Ireland Fund 211	397.50	+25.90
Ireland Fund 212	399.00	+26.00
Ireland Fund 213	400.50	+26.10
Ireland Fund 214	402.00	+26.20
Ireland Fund 215	403.50	+26.30
Ireland Fund 216	405.00	+26.40
Ireland Fund 217	406.50	+26.50
Ireland Fund 218	408.00	+26.60
Ireland Fund 219	409.50	+26.70
Ireland Fund 220	411.00	+26.80

IRELAND (PSA RECOGNISED)

Fund Name

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE[illegible]

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trust pay mes

gérald genta
GÉRALD GENTA 18-20 RUE PLANEMOULIN 1201 GENÈVE TEL. 41 22 717 09 16

① MANAGED FUNDS WITTS
 Points out an overall upward trend in the investment and fund industry.
 1970-1971: 10% increase in assets.
 1971-1972: 15% increase in assets.
 1972-1973: 20% increase in assets.
 1973-1974: 25% increase in assets.
 1974-1975: 30% increase in assets.
 1975-1976: 35% increase in assets.
 1976-1977: 40% increase in assets.
 1977-1978: 45% increase in assets.
 1978-1979: 50% increase in assets.
 1979-1980: 55% increase in assets.
 1980-1981: 60% increase in assets.
 1981-1982: 65% increase in assets.
 1982-1983: 70% increase in assets.
 1983-1984: 75% increase in assets.
 1984-1985: 80% increase in assets.
 1985-1986: 85% increase in assets.
 1986-1987: 90% increase in assets.
 1987-1988: 95% increase in assets.
 1988-1989: 100% increase in assets.
 1989-1990: 105% increase in assets.
 1990-1991: 110% increase in assets.
 1991-1992: 115% increase in assets.
 1992-1993: 120% increase in assets.
 1993-1994: 125% increase in assets.
 1994-1995: 130% increase in assets.
 1995-1996: 135% increase in assets.
 1996-1997: 140% increase in assets.
 1997-1998: 145% increase in assets.
 1998-1999: 150% increase in assets.
 1999-2000: 155% increase in assets.
 2000-2001: 160% increase in assets.
 2001-2002: 165% increase in assets.
 2002-2003: 170% increase in assets.
 2003-2004: 175% increase in assets.
 2004-2005: 180% increase in assets.
 2005-2006: 185% increase in assets.
 2006-2007: 190% increase in assets.
 2007-2008: 195% increase in assets.
 2008-2009: 200% increase in assets.
 2009-2010: 205% increase in assets.
 2010-2011: 210% increase in assets.
 2011-2012: 215% increase in assets.
 2012-2013: 220% increase in assets.
 2013-2014: 225% increase in assets.
 2014-2015: 230% increase in assets.
 2015-2016: 235% increase in assets.
 2016-2017: 240% increase in assets.
 2017-2018: 245% increase in assets.
 2018-2019: 250% increase in assets.
 2019-2020: 255% increase in assets.
 2020-2021: 260% increase in assets.
 2021-2022: 265% increase in assets.
 2022-2023: 270% increase in assets.
 2023-2024: 275% increase in assets.
 2024-2025: 280% increase in assets.
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 2026-2027: 290% increase in assets.
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 2030-2031: 310% increase in assets.
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 2041-2042: 365% increase in assets.
 2042-2043: 370% increase in assets.
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 2091-2092: 615% increase in assets.
 2092-2093: 620% increase in assets.
 2093-2094: 625% increase in assets.
 2094-2095: 630% increase in assets.
 2095-2096: 635% increase in assets.
 2096-2097: 640% increase in assets.
 2097-2098: 645% increase in assets.
 2098-2099: 650% increase in assets.
 2099-2100: 655% increase in assets.
 2100-2101: 660% increase in assets.
 2101-2102: 665% increase in assets.
 2102-2103: 670% increase in assets.
 2103-2104: 675% increase in assets.
 2104-2105: 680% increase in assets.
 2105-2106: 685% increase in assets.
 2106-2107: 690% increase in assets.
 2107-2108: 695% increase in assets.
 2108-2109: 700% increase in assets.
 2109-2110: 705% increase in assets.
 2110-2111: 710% increase in assets.
 2111-2112: 715% increase in assets.
 2112-2113: 720% increase in assets.
 2113-2114: 725% increase in assets.
 2114-2115: 730% increase in assets.
 2115-2116: 735% increase in assets.
 2116-2117: 740% increase in assets.
 2117-2118: 745% increase in assets.
 2118-2119: 750% increase in assets.
 2119-2120: 755% increase in assets.
 2120-2121: 760% increase in assets.
 2121-2122: 765% increase in assets.
 2122-2123: 770% increase in assets.
 2123-2124: 775% increase in assets.
 2124-2125: 780% increase in assets.
 2125-2126: 785% increase in assets.
 2126-2127: 790% increase in assets.
 2127-2128: 795% increase in assets.
 2128-2129: 800% increase in assets.
 2129-2130: 805% increase in assets.
 2130-2131: 810% increase in assets.
 2131-2132: 815% increase in assets.
 2132-2133: 820% increase in assets.
 2133-2134: 825% increase in assets.
 2134-2135: 830% increase in assets.
 2135-2136: 835% increase in assets.
 2136-2137: 840% increase in assets.
 2137-2138: 845% increase in assets.
 2138-2139: 850% increase in assets.
 2139-2140: 855% increase in assets.<

LONDON STOCK EXCHANGE

Late bout of profit-taking halts Footsie gains

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

Investors rode on the European interest rate bandwagon yesterday, only to lose their collective nerve late in the day after Gordon Brown, chancellor of the exchequer, delivered his pre-Budget statement.

On the face of it, there was little in the statement to disturb the feeling of well-being that has returned to UK stocks in recent weeks. Dealers said the late decline, which saw the FTSE

100 index dribble lower and eventually finish 21.6 off at 5,503.9, represented no more than a small dose of profit-taking, prompted by a sluggish Wall Street.

London's leading stocks initially fell in response to a dismal interim report from Marks and Spencer with Footsie falling more than 45 points.

But as the morning wore on, the market shrugged off the news and seemed briefly set for a fourth consecutive positive session. At its best, over lunchtime, the Footsie was 41.0 higher at 5,566.5. There were solid perfor-

mances from the market's second-liners and small-caps. Smaller stocks once again outpaced their senior brethren and the FTSE SmallCap index chalked up its 17th straight gain, jumping 13.0 to 2,043.0.

That extended the rise since the index began its marathon sequence of gains to 213.51 or 11.6 per cent. The FTSE 250, meanwhile, settled 23.9 firmer at 4,911.7.

Both the junior FTSE indices were bolstered by the continuing weakness of sterling. The Bank of England's trade-weighted index dipped below the 99 level yesterday

for the first time in many months.

Apart from the Marks and Spencer setback, sentiment in London had been generally positive and driven by strong expectations that domestic interest rates will be cut again on Thursday when the Bank of England's monetary policy committee announces the outcome of its two-day meeting, which commences this morning.

The market was said to have already factored in a 25 basis points cut, which would be the second in less than a month after the October 7 reduction, and the opti-

mists continued to hope for an even deeper cut of 50 basis points.

Market bulls pointed to the continuing downward trend of European interest rates with Sweden, Spain and Portugal nudging rates lower yesterday, and many were hoping that policy-makers at the Bank of France and the Bundesbank will also sanction interest rate cuts after their meetings tomorrow.

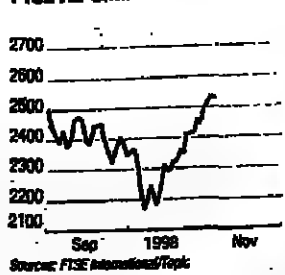
Looking even further ahead, the US Federal Reserve market committee holds its next meeting on November 17 and

some hope for a further lowering of US rates.

International stock markets did nothing to dent London's confident tone. Although Wall Street lost its upward impetus yesterday, it had finished sharply higher on Monday, with the Dow Jones Industrial Average pushing through 8,700 and posting a 114-point gain. European markets were generally flat and Tokyo was closed for the day.

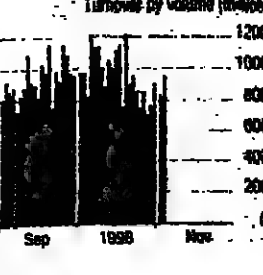
Turnover at 6pm came in at 933.5m shares, well ahead of recent daily levels. Around 85 per cent was in non-Footsie stocks.

FTSE All-Share Index



Source: FTSE International/Refinitiv

Equity shares traded



Source: FTSE International/Refinitiv

Indices and ratios

FTSE 100	5503.9	-21.6	FT 30	2043.0	-13.6
FTSE 250	4911.7	-23.9	FTSE Non-Fin	2135.1	-21.5
FTSE 350	2827.5	-6.4	FTSE 100 P/E	12.54	-0.10
FTSE All-Share	2503.26	-8.08	10 y Gilt yield	5.04	-0.17
FTSE All-Share yield	3.08	0.01	100 day volatility	18.2	1.66

Best performing sectors

1	Chemicals	-1.8
2	Healthcare	-1.0
3	Consumer Goods	-0.9
4	Telecom	-0.8
5	Investment Trusts	-0.8

Worst performing sectors

1	Telecom	-2.5
2	Media	-2.0
3	Oil Exploration & Prod	-2.0
4	Alcoholic Beverages	-2.0
5	Reserve General	-2.0

Royal hit by rough weather

COMPANIES REPORT

By Peter John, Joel Kibazo
and Martin Erics

Royal & Sun Alliance mirrored the market's nervousness ahead of the company's figures tomorrow.

When the Footsie was up in early trading, Royal shares were lower despite their gearing to the market because of the company's big equity portfolio. And when the index turned lower in the afternoon Royal fell further to close a net 24.1 lower at 640p.

Weather, rather than the state of the equity market, is likely to provide the main focus of attention at the analysts' meeting. Royal has already indicated it could take a 250m hit from claims prompted by damage caused by Hurricane Georges. However, the recent floods in the west of England, are also expected to hit underlying earnings.

And analysts will be keenly looking for signs of rising competition in an arena that has become increasingly harsh. David Hudson at Credit Lyonnais Securities, one of the bears of the sector, said: "This is going to be a traumatic quarter. We are at the bottom of the range but we

will probably have to go lower again."

Worries about the prospects for the sector tripped over to Guardian Royal Exchange which dipped 5 to 300p in spite of recurrent takeover talk. And it dragged down OGU by 19p to 970p.

Hopes that UK retailers could escape the worst aspects of the economic downturn were dashed yesterday by what specialists saw as a profits warning together with interim figures below expectations from Marks and Spencer.

The bellwether reported pre-exceptional profits of

£348.2m down from £452.3m a year earlier. However it was the news it would not meet sales expectations for the rest of the year that shocked the market and sent the stock plunging.

Dealers rushing to sell the stock sent it to a day's low of 398p. One trader said: "There is nothing that state bulls can hold onto in this stock." The shares regained some ground to close 45 or 10 per cent down at 404p, the lowest point for the stock this year and by far the worst performer in the FTSE 100 yesterday. Turnover of 34m made it the busiest stock during the session.

John Richards at BT Alex Brown chopped his current-year profits estimate by £135m to £285m and advised clients to "avoid" the shares. "M&S has to make a huge strategy adjustment in its buying in order to become much more competitive," he said.

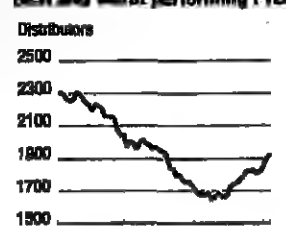
Tony Shireet, at CSFB, now expects full-year profits to be 10 per cent lower at £265m and he predicts the shares will fall further in the short term. "Marks has yet to see the full impact of a combination of weak demand and rising capacity," he said.

M&S shares have retreated steadily from a 1998 high of 619p. They have underperformed the FTSE All-Share by around 36 per cent since the start of January.

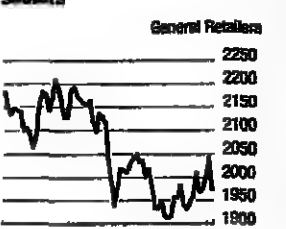
Marks and Spencer cast a shadow over much of the retailing sector. Next fell 22 to 453p while Debenhams surrendered 13 to 378p. Boots also came under pressure, the shares declining 26 to 88p.

Poor figures from BP were ignored by the market, which pushed the stock higher in anticipation of the merger with Amoco.

Best and worst performing FTSE sectors



General Retailers



Source: DataStream

Source: DataStream

and analysts have been suggesting the recent rally has been prompted by a growing belief that the transfer will not go through.

One salesman said yesterday: "It's too close to call." Others suggested that, if the shareholder meeting on Friday blocked the move, the management may have to stand down.

The move is almost certain to be agreed by the necessary 75 per cent of shareholdings by value, but to win the vote LucasVarity needs to win a simple majority of the 17,600 individual shareholders, many of whom hold the shares as a result of working for the company.

SCCO saw very brisk trade of 13m - the third busiest in the past two years - ahead of a meeting with investors and analysts on Monday.

While the company played down the meeting by saying it was merely to provide an update on its strategy, there were hopes that it would announce the sale of its Balfour Beatty subsidiary.

The shares were down 1% at 53p but are well above the 53-week low of 38p reached in recent trading.

BSkyB fell 36 to 469p with Panmure Gordon reiterating its "sell" recommendation and 50p share price target. The broker believes the earnings momentum has stalled and the pay-back from the broadcaster's digital investment is "unclear".

Alfred McAlpine bought back 1.56m shares at 136p through Casenova. The purchase takes the buyback to 6 per cent, compared with the 10 per cent in the programme. The shares eased 1% at 136p.

Mobile telephone companies were again in demand. Vodafone Group gained 14 to 65p amid hopes of increased demand for mobile phone subscriptions in the Christmas period. SG Securities was said to have advised clients to "buy" the shares.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545
Mar		5588.0	-18.0			0	12134
Jun		5644.0	-20.0			0	1549

FTSE 250 INDEX FUTURES (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX OPTIONS (LFF) £10 per full index point

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Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX OPTIONS (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX CALLS (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX CALLS (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX PUTS (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX PUTS (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX SPREADS (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX SPREADS (LFF) £10 per full index point

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FTSE 100 INDEX STRIKES (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

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	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX VOLUMES (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX VOLUMES (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX OPENING (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

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FTSE 100 INDEX CLOSING (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX CLOSING (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX AVERAGE (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

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FTSE 100 INDEX MAXIMUM (LFF) £10 per full index point

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Dec	5515.0	5544.0	-19.0	5515.0	5495.0	23711	202545

FTSE 250 INDEX MAXIMUM (LFF) £10 per full index point

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FTSE 100 INDEX MINIMUM (LFF) £10 per full index point

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FTSE 250 INDEX MINIMUM (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

FTSE 100 INDEX RANGE (LFF) £10 per full index point

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FTSE 100 INDEX AVERAGE (LFF) £10 per full index point

	Open	Sett	Change	High	Low	Est vol	Open Int
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FTSE 250 INDEX AVERAGE (LFF) £10 per full index point

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Dec	4630.0	4623.0	-7.0	4630.0	4590.0	40	8540

TENDER NOTICE
UK GOVERNMENT EURO
AND ECU TREASURY BILLS

For tender on 10 November 1998

- The Bank of England announces the issue of Her Majesty's Treasury of euro 500 million nominal of UK Government Euro Treasury Bills and ECU 200 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 November 1998. An additional euro 50 million nominal of Euro Bills will be allocated directly to the Bank of England for the account of the Exchange Equalisation Account.
- The Bills to be issued by tender will be dated 12 November 1998 and will be in

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE									
Austria (Nov 3 / Fri)									
Index	1,200.00	High	1,210.00	Low	1,190.00	Open	1,205.00	Close	1,205.00
Belgium (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
France (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Germany (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Italy (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Netherlands (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Spain (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Sweden (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Switzerland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
UK (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Japan (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
South Korea (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Taiwan (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Hong Kong (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Singapore (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Australia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
New Zealand (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Canada (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
USA (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Brazil (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Mexico (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Argentina (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Russia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
India (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
China (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
South Africa (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Egypt (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Israel (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Turkey (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Greece (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Portugal (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Ireland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Iceland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Norway (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Finland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Denmark (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Poland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Czech Republic (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Slovak Republic (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Hungary (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Croatia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Slovenia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Bulgaria (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Romania (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Latvia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Lithuania (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Estonia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Cyprus (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Malta (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Maldives (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Bahrain (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Qatar (Nov 3 / Fri)									
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UAE (Nov 3 / Fri)									
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Oman (Nov 3 / Fri)									
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Yemen (Nov 3 / Fri)									
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Jordan (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Lebanon (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Syria (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Iraq (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Kuwait (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Saudi Arabia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00

Rockwell

Rockwell's call centre technology is helping business boom at Gratton, a top UK mail-order company.
<http://www.rockwell.com>

High

Low

Open

Close

EUROPE									
Austria (Nov 3 / Fri)									
Index	1,200.00	High	1,210.00	Low	1,190.00	Open	1,205.00	Close	1,205.00
Belgium (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
France (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Germany (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Italy (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Netherlands (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Spain (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Sweden (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Switzerland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
UK (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Japan (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
South Korea (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Taiwan (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Hong Kong (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Singapore (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Australia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
New Zealand (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Canada (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
USA (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Brazil (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Mexico (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Argentina (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Russia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
India (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
China (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
South Africa (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Egypt (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Israel (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Turkey (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Greece (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Portugal (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Ireland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Iceland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Norway (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Finland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Denmark (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Poland (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Czech Republic (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Slovak Republic (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Hungary (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Croatia (Nov 3 / Fri)									
Index	3,500.00	High	3,550.00	Low	3,450.00	Open	3,520.00	Close	3,520.00
Slovenia (Nov 3 / Fri)									
Index	3,500.00								

4 p.m. 2000 November 3

NEW YORK STOCK EXCHANGE PRICES

EUROBENCH "INSECTS" INDICES									
European Benchmarks - a new set of sector indices independent of the London and Paris stock exchanges. The INSECTS "insect" indices are based on the volume of trading in the respective sectors. The indices are calculated on a daily basis. The INSECTS "insect" indices are based on the volume of trading in the respective sectors. The indices are calculated on a daily basis. The INSECTS "insect" indices are based on the volume of trading in the respective sectors. The indices are calculated on a daily basis.									
Sector	SETI	Class	Previous (02-11-1998)	Change on Day	% Change	1998 High	1998 Low	1998 Open	1998 Close
France	1983.26	1983.26	1983.26	+0.75	+0.04	2451.80	1983.26	1983.26	1983.26
Germany	2248.00	2248.00	2248.00	+0.80	+0.04	2451.80	1983.26	1983.26	1983.26
Italy	1730.00	1730.00	1730.00	+0.80	+0.05	2451.80	1983.26	1983.26	1983.26
Spain	2048.00	2048.00	2048.00	+0.80	+0.04	2451.80	1983.26	1983.26	1983.26
UK	1382.11	1382.11	1382.11	+0.40	+0.03	2451.80	1983.26	1983.26	1983.26
Belgium	1976.00	1976.00	1976.00	+0.80	+0.04	2451.80	1983.26	1983.26	1983.26
Portugal	1472.00	1472.00	1472.00	+0.80	+0.05	2451.80	1983.26	1983.26	1983.26
Greece	1718.00	1718.00	1718.00	+0.80	+0.05	2451.80	1983.26	1983.26	1983.26
Sweden	2208.00	2208.00	2208.00	+0.80	+0.04	2451.80	1983.26	1983.26	1983.26
Netherlands	2047.00	2047.00	2047.00	+0.80	+0.04	2451.80	1983.26	1983.26	1983.26

FRANCE

WORLD MARKETS AT A GLANCE																				
Country	Index	Nov 3	Nov 2	Oct 31	1998 High	1998 Low	% Yield	% P/E	Country	Index	Nov 3	Nov 2	Oct 31	1998 High	1998 Low	% Yield	% P/E			
Argentina	General	18631.59	18747.92	18263.03	23845.47	12893.14	10.9	3.72	11.4	Hungary	Bux	2767.81	5011.38	5012.85	8919.58	2334	2772.02	10.9	na	
↓ Lower in constant trading index of third-quarter earnings announcements.									↑ Market edged lower as price of oil fell at close of Portugal.											
Australia	All Ordinaries	2671.6	2672.5	2671.3	2691.40	1894	2683.20	1.9	3.06	20.5	India	BSE S&P	2612.95	2611.44	2612.45	4289.35	2141	2614.10	20.0	na
	All Mining	821.7	824.4	827.4	713.30	1234	498.00	3.0	na		SEN 30	204.10	206.17	207.03	551.14	192	197.00	20.0	na	
↓ Select blue chips including News Corp and ANZ added the All Ordinaries index for November market. All-time high last seen in 1912 to 11.									↑ Indonesia											
Austria	Crash Index	401.57	401.32	394.34	325.5	348.44	9.10	2.05	12		Jakarta Comp.	271.18	300.77	300.77	504.14	292	157.00	19.0	3.45	
	IXX Index	1161.28	1161.02	1149.59	1629.58	20.45	882.00	1.10	na	↓ Sharply lower on expanded horizon in signs of weakening retail. Index edged upward 20 points to 232.00.										
↑ BSE, the biggest securities market, was the leading force for gains.									↑ Ireland											
Brazil	IBV 50	3222.94	3231.17	3122.93	3552.19	2297	3237.36	10.1	1.82	18.6		IED Index	4459.25	4461.91	4391.35	5471.81	2141	2748.11	21.0	2.24
↑ A 15.5 per cent rise in October saw our negotiations suspended suddenly.									↑ Israel											
Bulgaria	Bovsepia	7390.0	7390.0	7390.0	7390.0	7390.0	10.9	na	na		Tel Aviv 100	251.85	270.82	270.82	322.48	89	268.19	9.10	na	
↑ Puffed on investors' need to catch up on gains made in international markets for October.									↑ Market gains pushed in late trade although concerns remained about the exchange rate and economy.											
Canada	TSE 100-3	3600.0	3617.99	361.51	4735.83	2595	324.91	5.10	1.86	17.3	Italy	IGI CMO 100	266.77	300.05	300.29	368.00	297	348.51	9.10	2.08
	Montreal 35	3141.81	3147.29	3105.77	4360.01	1103	2267.10	21.8	na		Borsa Com Ind	1272.78	1265.12	1247.94	1585.85	794	1083.50	9.10	na	
	TSX Composite	3747.60	3751.85	3745.80	4277.60	2740	3325.70	21.8	na	↑ Market fell back on pessimism by hedge investors.										
	Portfolio 500	3222.93	3243.13	3162.94	3685.81	2141	2715.80	9.10	na	Japan	Nikkei 225	13262.75	13263.13	13263.13	17229.94	84	13078.00	9.10	1.07	
↑ Shares moved led by gold stocks.									↑ Nikkei 225											
China	IFRA EFX	3521.53	3435.27	3335.81	4891.85	1793	3389.85	14.9	3.84	10.3		TSE 100	212.38	225.38	225.38	252.45	102	195.30	9.10	na
											TSE 200	1055.44	1065.80	1065.80	1202.38	102	958.71	19.10	na	
											2nd Section	1099.02	1092.55	1091.27	1292	1099.04	9.10	na		
↑ Hong Kong									↑ Jordan											
	Hang Seng	33.68	32.88	32.23	53.88	10.2	36.35	12.6	1.52	27		Amman 10	161.05	na	148.17	190.81	29.10	na		
	Shenzhen 30	82.58	82.59	82.75	88.97	10.2	48.88	13.8	na	↑ Malaysia										
↑ High-turnover shares rebounded on discounted volume amid buying from domestic buyers.									↑ Kuala Lumpur											
	Composite	89	84.08	81	82.57	143.61	71	776.57	14.10	na		KLSE Comp	421.81	419.78	405.23	745.58	272	252.70	1.10	3.48
↑ Lack of volatility at start of trading hours rebounded but index continued.									↑ Mexico											
Czech Republic/PK 50											IPC	4022.77	4074.88	4040.91	2001.19	169	17.1	10.7		
↑ Shares moved slightly higher; index led by domestic stocks and Mexico's performance on Wall Street.									↑ Netherlands											
Dominican	Copromercio	618.42	622.06	615.04	778.84	74	598.95	9.10	1.84	16.8		100 Vindice	118.1	118.21	114.20	148.08	297	148.10	9.10	2.44
	TSE Dominica	which accounted for almost 25 per cent of all stock volume, closed up 1 per cent.									CBE All Star	662.8	654.4	641.3	645.00	277	648.00	9.10	na	
	Report	CBS EFX	351.49	359.68	353.14	353.14	214	345.48	2.2	na	↑ Stocks moved to margin gains on recent volatility but late profit-taking.									
											New Zealand	Cap 40	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14
												200	1659.38	1649.74	1679.55	2250.53	203	1709.34	9.10	5.14

AMEX PRICES

AMERICAN STOCK MARKET									
Stock	Chg.	High	Low	Open	Close	Volume	High	Low	Open
Alcoa	1.00	25.00	24.75	24.75	25.00	100	25.00	24.75	24.75
Aluminum	0.12	1.12	1.10	1.10	1.12	50	1.12	1.10	1.10
Am. Can.	0.10	1.10	1.08	1.08	1.10	100	1.10	1.08	1.08
Am. Oil	0.05	1.05	1.03	1.03	1.05	100	1.05	1.03	1.03
Am. Tel.	0.02	1.02	1.00	1.00	1.02	100	1.02	1.00	1.00
Am. Tobacco	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Water	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Zinc	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Steel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Glass	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Paper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Rubber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lumber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Coal	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Iron	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Copper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lead	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Tin	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Nickel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Zinc	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Steel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Glass	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Paper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Rubber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lumber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Coal	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Iron	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Copper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lead	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Tin	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Nickel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Zinc	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Steel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Glass	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Paper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Rubber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lumber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Coal	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Iron	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Copper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lead	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Tin	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Nickel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Zinc	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Steel	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Glass	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Paper	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Rubber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Lumber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Coal	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Iron	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
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Am. Lumber	0.01	1.01	1.00	1.00	1.01	100	1.01	1.00	1.00
Am. Coal	0.01	1.01							

STOCK MARKETS

Interest rate cuts fail to inspire investors

WORLD OVERVIEW

Further gains in Asia and three separate interest rate cuts in Europe failed to inspire stock markets yesterday as investors mostly drifted to the sidelines, writes Jeffrey Brown.

It was a day of taking stock, not helped by the Tokyo shutdown. Advances of more than 2 per cent predominated across Asia while in Europe, Spain, Sweden and Portugal all cut key

rates by 25 basis points, but investors opted to assess recent progress.

This has been significant. Since the lows of early October, the FTSE 100 World Index has risen almost 17 per cent while Europe, in similar dollar terms, has gained almost a fifth.

Compared to Asia, of course, where four to five-week rallies in excess of 30 per cent are commonplace, these solid improvements can look mundane. The lat-

est blaze of eastern excitement centres on Hong Kong where the so-called China plays are turning in eye-catching performances.

Yesterday, the red-chip index shot ahead 12.7 per cent and H shares jumped 10.5 per cent after the International Finance Corporation, the unofficial referee of emerging market investment, added both indices to its investable and global index series for China.

The news lifted China's

weighting in the IFC Asia index from 2.4 per cent to a top of the line 10.7 per cent and significantly enhances the region's investment attractions. The red-chip index now stands at a startling 97.8 per cent above its September low.

Most European markets gave ground. Trading volumes were on the thin side and an early show of weakness on Wall Street dictated final direction. Frankfurt lost 1.1 per cent and even

Madrid, comfortably higher at one stage on the official rate cut, came off 0.6 per cent.

The setback for German equities took some of the shine off the theory that the latest wave of European rate cuts were a precursor to a downward move tomorrow by the Bundesbank.

The consensus view is that the central bank will again stay its hand in spite of the likelihood of weak German industrial production figures

for September, due out the same day.

However, although the need to allow fellow EU member countries to bridge the convergence gap may be dictating policy at present, few observers doubt that the Bundesbank will move lower at some stage.

And support may come from across the Atlantic. HSBC expects US interest rates to come down by a further 50 basis points before the end of this year.

MARKET FOCUS

Oslo rides on recovery wave

Although it ran into a squall of profit-taking yesterday, Oslo remains one of the stronger performing stock markets since the recovery for European equities got underway last month.

The benchmark Total index stood at 1,423 in the first week of May. Five months later, it had almost halved to 765. Yesterday it ended at 1,002.70, down 2.6 per cent on the day but still 32 per cent above its low for the year.

Never before has the Norwegian share market risen so far in such a short space of time, the Oslo Exchange happily reported in its monthly bulletin.

Share prices have risen on the back of positive economic signals from outside Norway such as the refinancing plan for Japanese banks and the recent cuts for US interest rates, says Peter Warren, chief trader at Finansbanken in Oslo.

One of the key factors in Oslo's swings has been the improved oil price, a significant factor in Norway's energy-based economy, says Bengt Bangstad, Oslo stock exchange spokesman.

In addition, the krone rebounded when the central bank announced last month it would start support operations. The krone depreciated in mid-October to its lowest level since August, forcing the central bank to raise interest rates by 300 basis points.

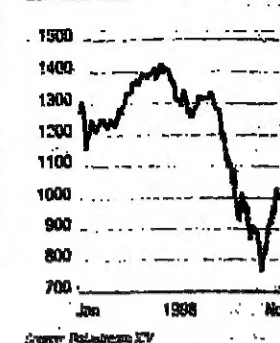
Now investors, who a few weeks ago anticipated interest rates would remain high, share a common view that rates will go down in 1999, and possibly in 1998, says Mr Bangstad.

Financial and IT stocks have led the recent rally, the indices 46 per cent and 44 per cent respectively above October lows.

Among financials, better-than-expected earnings from Norway's two largest banks, Den norske Bank and Christiania Bank, helped regain

Norway

Oslo Total index



Source: Reuters TV

losses following Dan's profit warning in September. Svenska Handelsbanken, Sweden's largest bank, has also helped to put fresh life in the banking sector with a surprise counter-bid for Fokus Bank.

Christiania Bank and the state-owned Postbanken are considering a three-way merger with Fokus Bank. On the day of Handelsbanken's announced cash bid of NOK70 per share, Fokus Bank rose 17.8 per cent to NOK63.50.

Doubled profits from Merkantidata, a computer company, and interest in telecommunications stocks, such as Netcom, led the IT index to rebound 18 per cent in October.

After the IT sector, offshore sector stocks showed the strongest growth, rising 23.5 per cent. Shares in oil services group Petroleum Geo-Services, the fifth in weighting on the stock exchange, rose 29 per cent.

Yesterday, however, the sellers were out in force, pocketing some of these gains. Kvaerner, the Anglo-Norwegian construction and engineering group, lay at the root of the problem, sparking sentiment with a surprise profit warning barely a week after the appointment of a new chief executive.

Valeria Skold

Wall St rally runs into heavy selling

AMERICAS

US shares moved lower in early trading, reversing the recent strong run, with high-tech and small-company shares soaking up much of the selling pressure, writes John Labate in New York.

The Dow Jones Industrial Average was down 5.32 by early afternoon at 8,700.23. The broader Standard & Poor's 500 index fell 2.66 to 1,108.64.

Wall Street's recent rally has taken many by surprise, given widespread uncertainty about future earnings. But recent cuts in interest rates by the Federal Reserve, and the expectation of future reductions proved enough to stop the market falling back.

"What concerns me is how the market's rallied back and taken some of the small-cap stocks up 60 per cent to 200 per cent in just several days," said Warren Epstein, director of trading at Richard Rosenblatt & Co in New York. He felt equities may be in for another round of sharp selling if earnings and economic expectations for next year worsen.

The high-tech weighted Nasdaq composite index was off 14.61 or 0.59 per cent at 1,784.30. The Russell 2000 of small-cap shares also pulled back, down 1.47 to 385.35.

Financial shares were mixed. Citigroup plunged 2.3 or 4.7 per cent to 43.38 as uncertainties continued to

mount after the surprise resignation of its president. But MBNA plunged more than 10 per cent or 2.3 to 20.04 after Merrill Lynch cut its short-term rating to "neutral" from "buy".

Select cyclical continued to stand out on the upside with investors. Paper shares were strong, with Georgia-Pacific up 1.4 to 62.3. Among Dow component cyclical stocks, Union Carbide surged 2.2 to 42.1 and General Electric climbed 1.1 to 58.9.

In the insurance sector, Aon fell 7.8 per cent to 56.4 after the company issued a profits warning. Investors also sold major internet shares. Amazon.com fell 1.2 to 81.04 and Yahoo! 3.2 to 142.12.

TORONTO ran into modest profit-taking with sentiment not helped by a slow opening on Wall Street. Most heavy-weight sectors moved lower, and at noon the 300 composite index was off 46.36 at 6,289.30.

Banks, a strong market lately, fell back. Royal Bank of Canada dipped 0.15 to 37.12 and Bank of Nova Scotia lost 30 cents at 39.15. Canadian Imperial retreated 85 cents to 38.13 in busy two-way trading.

In golds, Barrick shed 40 cents to 38.15 and Placer Dome came off 15 cents at 38.20. Among industrials, Northern Telecom shed 25 cents to 39.70.

EUROPE

Shares in MADRID followed Wall Street lower, shedding earlier gains made after the Bank of Spain took the market by surprise with a 25 basis point cut in its money market repo rate. The general index, higher in each of the three previous sessions, closed down 4.94 to 784.55.

Banco Santander fell 0.20 to 12.60 following a broker's downgrade. Banco Bilbao Vizcaya lost 0.20 to 12.15.

Tabacalera, the tobacco group, fell 0.20 to 12.15 on worries over crop damage in Honduras and Nicaragua caused by Hurricane Mitch.

Investors focused on third-quarter earnings with Repsol, which releases nine-month figures tomorrow, up 0.20 to 12.15.

STOCKHOLM failed to capitalise on the central bank's 25 basis point rate cut, and the general index fell 36.07 or 1.2 per cent to 2,998.28.

Shares opened slightly higher in response to the cut in the repo rate by the Riksbank, but profit-taking triggered by a lower Wall Street and poor nine-month results depressed prices.

SEB, the commercial bank, fell 0.20 to 37.12 after reporting a third-quarter loss as it set aside provisions for its Russian exposure.

Brisson fell 0.20 to 37.12, while Astra, which posted earnings figures in line with expectations on Monday, rose 0.20 to 37.12.

PORTUGAL edged lower in spite of a rate cut by the Bank of Portugal, with the BVL 30 index closing down 7.06 to 4,780.25.

The central bank cut its repo rate by 25 basis points to 3.75 per cent. However, shares lost earlier buoyancy as the leading European bourses and Wall Street gave up ground.

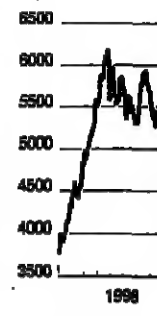
FRANKFURT paused after three days of gains and the Xetra Dax index turned lower, closing down 53.15 at 4,708.32.

Deutsche Telekom lost 89 pf to DM45.41, hit by comments by Rolf Sommer, the chief executive, that a price war among Germany's long-distance telephone companies would make it harder to produce "results that our shareholders expect". Analysts dismissed a subsequent statement from the company, denying that the comments amounted to a profits warning.

SGI Carbon, the carbon and graphite group, tumbled 0.20 to 1.4 per cent to DM12.00 after the company unveiled nine-month figures at the lower end of expecta-

Portugal

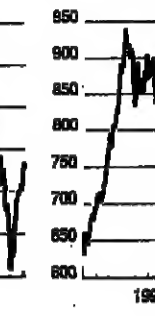
BVL 30 index



Source: Reuters TV

Spain

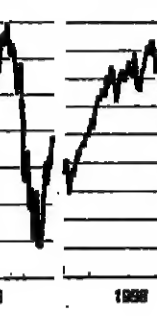
Madrid General index



Source: Reuters TV

Sweden

Stockholms General index



Source: Reuters TV

tions and warned that full-year profits would be lower than 1997.

Banks remained under pressure as Goldman Sachs downgraded its 1998 earnings estimates on Dresdner Bank, Deutsche Bank and HypoVereinsbank. HypoVereinsbank lost DM4.55 to DM12.20 and Deutsche Bank fell DM2.10 to DM10.2.

Dresdner Bank, weak on Monday after its nine-month figures failed to live up to some expectations, was flat at DM66.

Adidas-Salomon, the sportswear and equipment maker, continued its slide from Monday when the company reported a slowdown in third-quarter earnings growth and predicted a net loss in the fourth quarter. The shares lost DM10 to DM17.5.

PARIS derived support from the day's interest rate cuts and the CAC-40 index finished 14.04 higher at 3,683.64, off a high of 3,516.86.

Profit-taking in Alcatel sent the stock 0.20 lower to FF903. France Telecom lost FF7 to FF973, unmoved by Deutsche Telekom on pricing pressure.

Pharmaceuticals group Sanofi, a recent outperformer, fell FF17 to FF7843 as the company unveiled lower third-quarter sales.

AMSTERDAM traded narrowly to close 3.80 higher at 1,034.40 on the AEX index with another solid day for financials proving the best feature.

ING added a further F1.20 to F1100.70 and Aegon gained F1.30 to F1174.30 as interest rate cuts elsewhere in Europe kept hopes for a downward move shortly by the Bundesbank - and therefore the Dutch central bank - firmly on investors' agendas.

BolsWessanen, which recently came in for positive broker comment, jumped F11.10 or 4.7 per cent to F124.60. In contrast, Heineken tumbled F1.6 or 4.9 per cent to F17.70.

ZURICH ran into profit-taking that sent the SMI index down 45.9 to 4,586.5.

São Paulo plays catch-up

SAO PAULO moved ahead as it tried to catch up with other markets following a public holiday on Monday, and the Bovespa index rose 275 or 3.9 per cent to 7,323.

Investors bought shares in response to Monday's rise in international markets, although traders said the focus was likely shift to domestic politics. Congress is expected to vote on a reform bill, seen as a precursor to the approval of gov-

ernment austerity measures.

BUENOS AIRES failed to move in tandem with the rest of the region and followed Wall Street lower. The Merval index fell 1.25 or 0.3 per cent to 473.28. Investors are cautious ahead of the state of third-quarter results announcements.

MEXICO CITY, which was closed on Monday, tracked Brazilian shares, and the IPC index advanced 7.27 or 0.2 per cent to 4,082.13.

overall index held its losses to 18.5 at 5,969.0. Financials dropped 47.4 to 8,971.7, although Medcor managed a 380 cent rally to 11.16. Industrials were flat, with the index just 1.2 weaker at 6,690.8.

Profit-taking hits Jo'burg

SOUTH AFRICA

Johannesburg was broadly lower as investors took profits in gold shares after the bullion price weakened. The gold index tumbled 45.7 or 4.4 per cent to 990.5, but the

overall index held its losses to 18.5 at 5,969.0. Financials dropped 47.4 to 8,971.7, although Medcor managed a 380 cent rally to 11.16. Industrials were flat, with the index just 1.2 weaker at 6,690.8.

HK looks afresh at red chips

ASIA PACIFIC

A burst of liquidity into HONG KONG's red-chip stocks sent prices in the sector soaring. The Hang Seng China-Affiliated Corporations Index surged 128.17 or 12.7 per cent to close at 1,139.46, reaching its highest level since June 1.

Analysts noted there had been no change in fundamentals. Rather, every company with links to China was attracting investments.

Moreover, the International Finance Corporation's decision to include red chips

Tokyo was closed for the Culture Day public holiday

in its investable and global index series for China had prompted some potentially long-term portfolio shifts.

Merrill Lynch has said it suspects the \$40bn-\$45bn of emerging market funds that the IFC estimates will have to take another look at China, and specifically at red chips.

Merrill analyst John Pin-

red-chip prices since invest-

able China involved a small free float of less than \$20bn. The Hang Seng index, meanwhile, added to October's 29 per cent advance with a day's rise of 128.44 or 1.9 per cent to 10,358.53 in turnover that picked up to HK\$12.1bn.

JAKARTA put on 3.3 per cent as investors bought blue chips on the back of strong regional gains, underpinned by the weakening trend in the rupiah. The composite index closed 9.98 higher at 317.18.

Telkom, up Rp150 to Rp2,175, and Indosat, Rp650 higher at Rp4,435, were lifted by overnight gains in the companies' US listings.

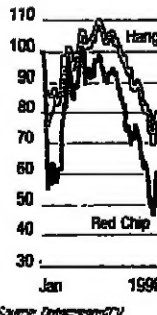
BANGKOK rose sharply as retail investors targeted the bank and finance sectors. The SET index closed 12.49 or 3.7 per cent higher at 347.42. Banks jumped 6.7 per cent while the finance sector managed to put on 6 per cent.

The building and telecoms sectors also made strong gains, rising 5.5 per cent and 4.6 per cent respectively.

TAIPEI moved lower after news of payments defaults

Hong Kong

Index (red chips)



Source: Reuters TV

tor ANZ advanced 35 cents to A\$9.20.

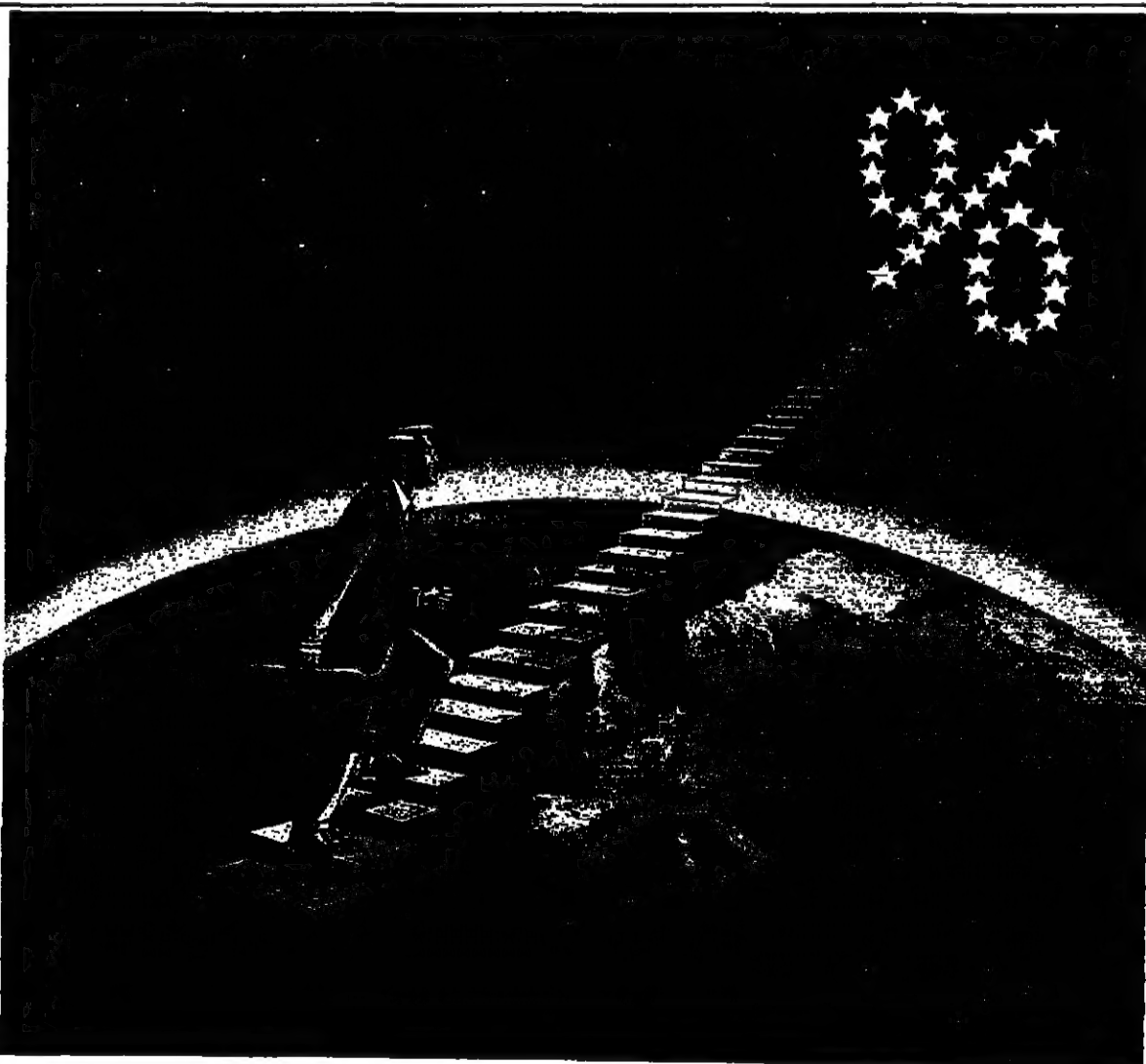
MANILA gained ground for the eighth consecutive session, helped by the continued strength in the peso. The composite index closed up 46.60 or 2.7 per cent at 1,801.64 - just above its 1,800 resistance.

Philippine Long Distance Telephone gained 45 pesos to 1,010 pesos on its talks with potential investors into the company. Officials have said that the group was in talks with Hong Kong First Pacific and SBC Communications in the US.

Metro Pacific, the Filipino subsidiary of First Pacific, rallied on its parent's talks with PLDT, and closed up 48 centavos to 1.84 pesos.

SINGAPORE closed flat after an early rally ran out of steam. The Straits Times index brushed an intraday six-month high of 1,818.86 before turning back to close just 0.33 higher on the day at 1,283.47.

The local and foreign tranches of banking stocks featured again among the session's top gainers, followed closely by property issues.



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